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GOVERNOR SAMUEL BIGGER

MESSAGES AND PAPERS
1840-1843

INDIANA HISTORICAL COLLECTIONS
VOLUME XLIV

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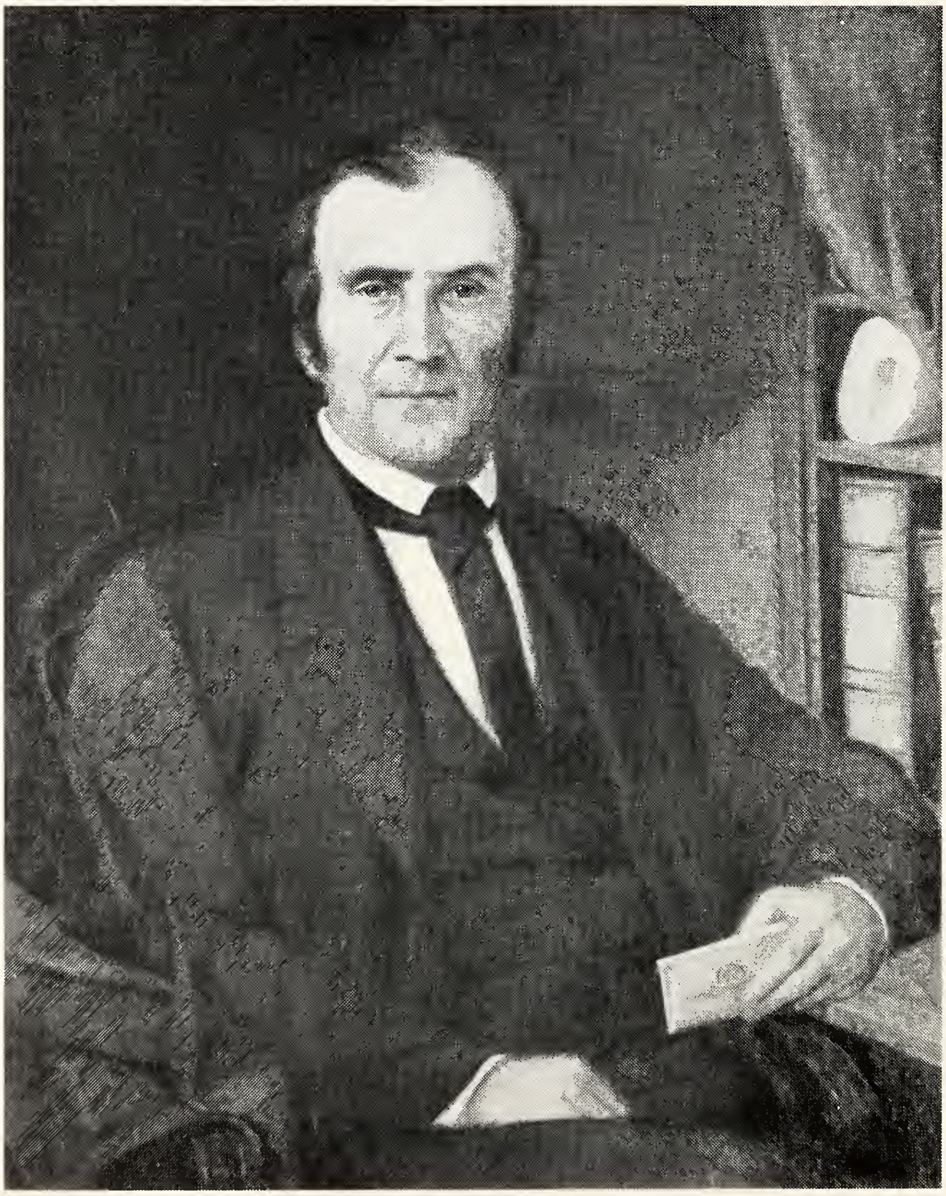

Samuel Bigger

MESSAGES AND PAPERS

relating to

the Administration of

SAMUEL BIGGER

Governor of Indiana

1840-1843

Edited by

Gayle Thornbrough

INDIANA HISTORICAL BUREAU
Indianapolis 1964

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EDITORIAL NOTE

This volume is the seventh published by the Indiana Historical Bureau in its series of *Governors' Messages and Papers.*

The bulk of the items comprising the volume have been taken from the Senate and House *Journals* and from the *Documentary Journals.* There is almost no manuscript material of any significance pertaining to Governor Bigger's administration in the State Archives and there is no collection of Bigger correspondence. Very few Bigger letters have been found in other collections. Under these circumstances the editors have felt justified in using letters written by members of the General Assembly to their constituents and published in local presses over the state to fill out the story of these three years.

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INTRODUCTION

INTRODUCTION

On December 9, 1840, Samuel Bigger began his term as seventh governor of the state of Indiana. He had been elected on the Whig ticket the preceding August by a vote of 62,932, his Democratic opponent, Tilghman A. Howard, having received 54,274 votes. His running mate for lieutenant governor, Samuel Hall, had defeated Benjamin Tuley by a similar margin.

It was not a propitious time to undertake the role of chief executive in Indiana. The mammoth program of internal improvements entered upon so enthusiastically just four years earlier not only had brought Indiana into a desperate financial situation, but was itself in a state of complete prostration. The outgoing governor, David Wallace, also a Whig, had served only one term, but contrary to precedent had not been nominated for re-election. He was too closely identified with the internal improvement fiasco to be considered a "safe" candidate. But probably no Whig could have been victorious in Indiana in 1840 if William Henry Harrison had not been running for the Presidency on the Whig ticket. And while the presidential election did not come until November, the Whig enthusiasm that swept over Indiana in the "Tippecanoe and Tyler, too," campaign was strong enough to carry the party's candidate for governor in the August state elections, and the Whigs also won control of both houses of the General Assembly.

Bigger may have been as good a candidate as was available. His nomination by the Whig convention the preceding January had been unanimous. While the Indianapolis *Journal*[1] declared that it was with the utmost difficulty that Wallace's friends gave him up, Bigger seems to have won party support over the state. He was not a person ever to arouse strong opposition even in the most vitriolic of the Democratic presses. Honest, affable, pleasant, kind, and benevolent, remarkably easy and good-natured, were expressions used to describe him. There is no evidence of any great intellectual capacity or wisdom or even political acumen. However, considering the times and condition of the state, it is doubtful that any man, no matter how strong or wise, could have led Indiana out of the morass in which she was floundering, and any one who might have tried stern or revolutionary methods would have found himself frustrated. In his final message to the General Assembly, delivered just before Bigger was sworn in, Governor Wallace had tried to inject a philosophical note into the dismal state of affairs. Admitting the "gloom" which had "gathered over the pecuniary conditions of our citizens," he spoke of the "spirit of enterprise" and "cheerful industry" manifested by the citizens of Indiana.[2] But no words could sweep away the really awful disclosures of such reports as those submitted by the state treasurer, auditor, and commissioners of the internal improvement funds.

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[1] Issue of January 25, 1840.

Samuel Bigger was a comparatively young man to be elected governor. He was born March 20, 1802, in Warren County, Ohio, the son of John Bigger, a native of Pennsylvania and veteran of the Revolution, who served for twenty years in the Ohio legislature. As a boy Samuel was frail, sensitive, and retiring. He was graduated from Ohio University at Athens with honors, and then studied law in Lebanon, Ohio. In 1829 he moved to Liberty, in Union County, Indiana, and shortly thereafter to Rushville. He became a law partner of Oliver H. Smith who described him as "one of the purest and best men in the State . . . over six feet high, with proportioned, fine face, blue eyes, prominent forehead, a very commanding appearance, a fair stump-speaker, plain and candid in his statements. . . ."[3]

In 1833 and again in 1834 Bigger was elected to the General Assembly as representative from Rush County. In 1836 he was elected by the Assembly as presiding judge of the Sixth Judicial Circuit and served until his resignation on March 29, 1840, following his nomination for governor.[4]

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[2] *Messages and Papers relating to the Administration of David Wallace, Governor of Indiana, 1837-1840 (Indiana Historical Collections,* Vol. 43, Indianapolis, 1963), 454 (hereafter cited as *Messages and Papers of David Wallace).*

[3] *Samuel Bigger, Fort Wayne's Forgotten Man* (Fort Wayne and Allen County Public Library, 1953); Leander J. Monks *et al.* (eds.), *Courts and Lawyers of Indiana* (3 vols. Indianapolis, 1916), 1:79; O. H. Smith, *Early Indiana Trials; and Sketches . . .* (Cincinnati, 1858), 349.

The fact that he had been sitting as judge for four years, and out of the political scene, was at this time a great asset, for, as the Indianapolis *Journal* said,[5] he was a "safe" man, in a position to "adopt such a course in relation to various measures of State policy which now create so much excitement, as the interests of Indiana demand, and *prudence and wisdom* would dictate." He had not been a member of the legislature in 1836, when the "mammoth bill" had passed, and was thus not "committed" to the program. His running mate, Samuel Hall, had been appointed to the Board of Internal Improvement in January, 1836, but the Indianapolis *Journal* was quick to point out that he had not attended the first meeting of the Board, had, in fact, attended only one meeting, and had resigned in September, 1836.[6]

Both men campaigned long and hard and always identified themselves and their cause with General Harrison. It was estimated that Bigger traveled over seven hundred miles and made thirty-three speeches. He took the stand that though he had taken no part in the strife surrounding the improvement program, he had opposed it personally as being too large for the state's resources. However, he now felt that the best interest of the state demanded that the works that had been suspended and abandoned should be preserved from dilapidation and ruin, "and as soon as the condition of the country will admit of it *without burthening the people with additional taxes,* such of the works as are in a state most near to completion and will pay the best revenue, should gradually be prosecuted so as to render them productive, that a revenue may be derived from the amount already expended. . . ."[7] The Democratic press found such speeches "weak," "deceptive," "tedious," "puerile."[8]

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[4] Monks *et al* (eds.), *Courts and Lawyers of Indiana,* index, citations under Bigger.

[5] Indianapolis *Indiana Journal,* February 17, 1840.

[6] *Ibid.,* March 5, 1840.

[7] Madison *Banner* quoted in *ibid.,* June 6, 1840.

[8] See, for instance, the Madison *Courier,* April 11, 1840.

Tilghman Howard, who resigned his seat in Congress to come back to the state to wage his campaign for governor, was attacked for leaving Washington before the votes on such measures of vital importance to Indiana as the Wabash Canal lands and the Cumberland Road had come up. The Indianapolis *Journal* declared he should have resigned early enough to have had some one elected to take his seat or else stayed in Washington. He was also presented in the Whig press as having been "for" the improvement program. He carried on a hard campaign, but against too great odds. The case was strongly presented that the presidential election in November would be affected by the August election in Indiana. If Howard were elected, this would mean that Indiana would be reckoned a Van Burenite state. Every friend of Harrison should vote for Bigger to show the nation that Indiana would vote "right" in November.[9]

Bigger was to be the last of Indiana's Whig governors. Noah Noble (1831-37) and David Wallace (1837-40) were Whigs. William Henry Harrison won the state's presidential vote in 1836 and 1840. His death shortly after his inauguration was a fatal blow to Indiana's Whiggery.[10] In 1843 James Whitcomb was to defeat Bigger in his bid for re-election, and the Democrats were to come into control of both houses of the legislature.

The make-up of the General Assembly in these years shows that Whiggery was not as strong in Indiana as the gubernatorial and presidential votes might indicate.[11] In the 1839-40 session the House had a Democratic majority while the Whigs controlled the Senate. In the 1840-41 session, the first under Bigger, the Whigs had control of both houses, and Samuel Judah was elected speaker. While the caliber of this session was reckoned as unusually high, its accomplishments were not outstanding. Among the members were such well-known names as Samuel Hanna, representative from Allen County, John D. Defrees of St. Joseph County, and Jesse Morgan of Rush County. Senators elected in 1840 included Philip Mason and Caleb B. Smith of Fayette County, Robert Hanna of Marion County, Joseph C. Eggleston of Switzerland County, and Charles H. Test of Wayne County. All these were Whigs.

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[9] Indianapolis *Indiana Journal,* June 25, July 4, 1840.

[10] Governor Bigger delivered a public address at the State House in Indianapolis in memory of President Harrison on April 17, 1841. It was printed in the Indianapolis *Indiana Journal* (semiweekly), April 23, 1841. This address has not been reprinted in this volume.

[11] For returns on the elections to the Assembly, see *Indiana Election Returns, 1816-1851 (Indiana Historical Collections,* Vol. 40, Indianapolis, 1960), 245-78.

The election of 1841 added many new names to the legislative roster for the 1841-42 session and gave the House a Democratic majority. Joseph S. Jenckes, of Terre Haute, who had been defeated for re-election as representative from Vigo County, wrote on January 7, 1842, to Samuel Judah, who had also been defeated in his bid for re-election, ". . . How does the present Legislature compare with the last in talents, attainment & general intelligence? Is it not inferior to the last, or do I hastily come to that conclusion because Knox and Vigo have changed their men? In looking over the old faces, I find but few are left, who were there last winter. How do you account for it? was it the death of Harrison that routed us? or was it the high tax, or was it the failure to do anything for the public works. . . ." He also wondered if it was the creation by the 1840-41 Assembly of the controversial state board to equalize taxes that brought the downfall of many members.[12]

New faces of interest in the 1841-42 session included Senators Jesse D. Bright of Jefferson County and Thomas D. Walpole of Hancock and Madison counties. In the House were Pleasant A. Hackleman of Rush, John W. Davis of Sullivan County, who was elected speaker, Elizur Deming of Tippecanoe County, William R. Foulke of Wayne County, Joseph W. Chapman of La Porte, and Edward A. Hannegan of Fountain County. Joseph G. Marshall of Jefferson County was back after an absence of two years.

The Whigs held their control in the Senate in the 1842-43 session, and the Democrats had a majority in the House. Back to the Senate for this session came old-timers Dennis Pennington of Harrison County and John Ewing of Knox County. In the

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[12] Letter in Samuel Judah Papers, Lilly Library, Indiana University, Bloomington.

House was former lieutenant governor David Hillis of Jefferson County. Thomas J. Henley of Clark County was elected speaker.

The elections of the United States senators in this period show how closely the two houses divided on joint ballot.[13] In 1836 Oliver H. Smith had been elected over Noah Noble, but only on the ninth ballot after the Democrats saw that they could not elect Ratliff Boon or re-elect William Hendricks, and gave their votes to Smith. In 1838 Albert S. White, another Whig, was finally chosen, but it took thirty-six ballots to reach an election. In 1843 a Democrat, Edward A. Hannegan, was elected. He was a compromise, the votes of the Democrats shifting to him after Tilghman A. Howard failed to win a majority of those voting.

As to Congressional elections, in 1837 the Whigs had won six seats while the Democrats captured only one. Two years later, this situation changed, with the Democrats electing five, the Whigs two. The Whig sweep in 1840 carried over into 1841, and they sent six Congressmen to Washington and the Democrats but one. However, two years later, when Indiana's delegation had been increased to ten and the Democrats elected the governor, they also elected eight Congressmen and the Whigs but two.[14]

Seldom, if ever, has the chief executive seemed to have had so little impact on the affairs of state as during the administration of Governor Bigger. He had been elected, not because of himself or what he stood for or against, but because Indiana had to identify herself with the cause of General Harrison. He served his three-year term, performing the duties of chief executive apparently well and honestly, but in no way could he be said to have been a leader or advocate of a particular policy. His messages to the legislature usually echoed the reports of the other officials—the treasurer, auditor, fund commissioners, president of the State Bank, visitor to the State Prison, etc. The revision of laws, which he made with the assistance of George H. Dunn, stands as his one concrete contribution to Indiana's heritage.

However, these three years should not be regarded as unimportant in Indiana history—far from it. The chief concern of the state officials and the Assembly was inevitably the state's financial plight. During Bigger's term Indiana had to face the fact that she could not pay the interest on her bonded indebtedness, and though she never repudiated her debt outright, she extricated herself from it by simply turning it over to an agent of state to salvage what he could. She also tackled the problem of what she should do with the unfinished public works that had been the cause of her financial downfall and ended by turning what ones she could over to private companies for completion. The State Bank and matters pertaining to state revenue consumed much of the legislative sessions as well as measures to relieve the financial stress of the people following the Panic of 1837. All this left little time for other matters, but as will be seen there is evidence during these years of a growing awareness of the role that the state should play in such matters as prison administration, education of the deaf and dumb, and care of the insane, and some positive action was taken in regard to them. Nothing, however, was done in the realm of common schools, though Bigger expressed much concern for education.

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[13] For these elections see *Indiana Election Returns,* 131-34.

[14] *Ibid.,* 94-109.

Whenever government policies and projects falter or fail, there is a demand to determine the cause, place responsibility, and if possible place the blame on the other political party. Bigger's administration saw two such extensive investigations, one of the fund commissioners, members of the Board of Internal Improvement, and others connected in any way with the public works; and one of the State Bank and its branches.

Brief discussions of some of the more important aspects of the years of Governor Bigger's administration follow.

THE PUBLIC WORKS AND THE BOARD OF INTERNAL IMPROVEMENT

In 1837 Governor Wallace had expressed strong opposition to the classification of the public works provided for in the 1836 act,[15] chiefly because he felt that it would be impossible to reach a decision as to which of the works should receive priority, and that any effort to divide them into first, second, and third classes would create such hostile feelings "as to prove fatal to the enterprize."[16] Two years later, however, he was advocating the working out of some plan which would provide "against the dilapidation of those portions of the works left in an unfinished state," and of finishing some entirely and completing others "to points where they may be rendered available or useful to the country."[17]

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[15] These works were the Whitewater Canal; the Central Canal; the Madison and Indianapolis Railroad; New Albany-Vincennes macadam-

No action relating to classification had been taken by the General Assembly up to the time of Bigger's inauguration, but in August, 1839, work on all the projects practically came to a stand still and since that time many of the unfinished contracts had been surrendered to the state. In his last message to the legislature, delivered just before Bigger's inauguration, Governor Wallace again advocated completing two or three of the most promising projects.[18]

In his inaugural Governor Bigger gave the matter of classification his first attention. Should we, he asked, attempt to resume the simultaneous prosecution of all the projects, should we abandon them entirely, or should we adopt some modified plan? He admitted any choice of operation was a choice of evils and the question really was not what choice would be best but what choice would be the least evil. The measures adopted, he insisted, should be those which would bring the state the largest return on the sums already expended. This could best be done by selecting works which could be completed with the least expenditure and when finished yield the greatest revenue. At this time he felt that the plan that had been suggested of turning over the works to private companies for completion impracticable, doubting that the

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ized turnpike; Jeffersonville-Crawfordsville macadamized turnpike; a canal from the Wabash and Erie Canal near Fort Wayne to Michigan City (the Erie and Michigan Canal); the Cross-cut Canal linking the Central Canal with the Wabash and Erie; and the improvement of the Wabash River. The Wabash and Erie Canal, which was to be constructed by Federal land grants, was not included in the act.

[16] *Messages and Papers of David Wallace*, 63.

[17] *Ibid.*, 332.

[18] *Ibid.*, 470.

profit to be realized from the works would be large enough to attract the necessary capital.[19]

Classification of the projects, as Wallace anticipated, was a touchy matter, involving local and sectional interests and jealousies. When it had been first discussed, it had brought forth loud protests. Counties through which one or more of the works passed naturally were reluctant to have their particular project or projects postponed while others were completed. And the counties which would benefit directly from none of the projects were becoming vociferous against the heavy financial burden they were having to share.

In the 1840-41 session of the Assembly both houses spent considerable time debating classification. Finally an act was passed which placed the Whitewater Canal from Brookville to Connersville, the Madison and Indianapolis Railroad from Vernon to Edinburg, and the improvement of the Wabash River at the Grand Rapids below Vincennes in the first class, and all the rest in the second class. The act also provided that any unfinished portion of the public works might be taken up and finished by individuals or corporations under contracts with the Board of Internal Improvement. That provisions of this act were doomed to start with was spelled out in the act itself which provided for the prosecution of the works in the first class by appropriations from the "suspended debt" of the state, composed of bonds from which it was expected the state would realize little or nothing.[20]

During the following year, as we shall see, the state for the first time failed to meet the July interest on her internal improvement bonds, and it was evident to all that she would be financially unable to do anything more on her public works. The only alternative to abandonment was to turn them over to private companies for completion, and the legislature, after much debate, passed an act providing for this.[21] Under this act, during Bigger's administration, companies were formed to take over and continue the

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[19] See below, 111-15.

[20] *Laws of Indiana,* 1840-41 (general), pp. 207-8.

[21] *Laws of Indiana,* 1841-42 (general), pp. 3-21. For a discussion of this measure see letter of Marshall S. Wines, February 22, 1842, below.

Whitewater Canal, the Madison and Indianapolis Railroad, and the Cross-cut Canal, the last under the name of the Wabash and Eel River Canal Company.

The public works provided for in 1836 had been placed in the hands of a Board of Internal Improvement which underwent reorganization by the Assembly from time to time. By an act of February 24, 1840,[22] the existing board was abolished and a new board set up consisting of Noah Noble who had been a member of the old board, and Jesse L. Williams who had served as chief engineer for the works program. The two members divided their duties, Williams acting as commissioner of the Wabash and Erie Canal and Erie and Michigan Canal, and Noble acting as commissioner of the remaining works. In the ensuing year their duties mainly revolved around appointing persons to serve as superintendents to watch over the suspended works and settling existing contracts. Since the contractors on the Madison and Indianapolis Railroad refused to suspend operations, special arrangements were made whereby this work could be continued.

In the 1840-41 session of the General Assembly Noah Noble was elected fund commissioner[23] and his place on the Internal Improvement Board was taken by Philip Mason of Fayette County. Since the board had no means of furthering construction, the attention of Williams and Mason was directed towards making unavoidable repairs on the existing works, settling claims for damages presented by contractors, and overseeing work on the Madison and Indianapolis Railroad. By the act of January 25, 1842, providing for turning the public works over to private companies, the Board of Internal Improvement was abolished.[24]

Wabash and Erie Canal

The construction of the Wabash and Erie Canal was carried on as a kind of collateral project to the state's internal improvement program, financed by a Federal grant of approximately 557 sections of public lands.

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[22] *Laws of Indiana*, 1839-40 (general), pp. 51-52.

[23] See below, 142n.

[24] *Laws of Indiana*, 1841-42 (general), pp. 3-21.

When Governor Bigger took office, the canal had been completed from Lafayette to the Ohio border, a distance of 140 miles. The portion to be constructed by Ohio from the state line to Lake Erie had not been completed, and it would not be opened until the spring of 1843. Congress had granted additional land to extend the canal from Lafayette to Terre Haute, and by an act of January 1, 1842, the route for this section was approved and construction authorized to begin by the first of the following June.

Despite the Federal land grant, the state had difficulty in financing the project. There are discrepancies in regard to the cost of the canal up to this time in the various reports made by the auditor, treasurer, governor, and Board of Fund Commissioners. In a review of the financial affairs of the state in his message of December 7, 1841, Governor Bigger reported the cost of construction from the Ohio line to Tippecanoe as $2,041,012. The cost from Tippecanoe to Terre Haute was estimated at $1,500,000. The state had incurred a bonded indebtedness of $1,727,000 for the construction of the canal in anticipation of land sales.[25] In his report on November 15, 1840,[26] the auditor gave the total number of acres of canal lands sold to November 30, 1839, as 261,247, for $552,655. The balance still due on this sum was $370,384, plus 6 per cent interest. Up to November 1, 1842, a total of $18,089 was received for tolls and water rent on the canal east of Tippecanoe.

Jesse L. Williams, chief engineer and commissioner of the canal, reported in November, 1840, that he had run out of cash and was owing contractors on the canal $86,587. He had given them certificates or drafts on the fund commissioners to be redeemed out of proceeds from future land sales. He recommended that some action be taken in behalf of those holding these certificates since the state had moved to aid contractors on the other public works through the issuing of treasury notes.[27] Instead of treasury notes, however, the Assembly passed an act making the certificates heretofore issued receivable for payments on canal lands.[28]

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[25] See below, 317, 319.

[26] See below, 87.

[27] *Documentary Journal,* 1840-41, Senate Doc. No. 1, pp. 22-23. For discussion of the state treasury notes see below, 34-39.

In the act providing for the construction of the canal from Lafayette to Terre Haute (approved January 1, 1842), provision was made to pay for the construction in canal scrip to be issued as needed by the state treasurer in denominations of $5.00, the total issue not to exceed the valuation of the lands granted for this part of the canal. The scrip was to be receivable for canal lands and the state was not to be liable for its redemption except out of the proceeds from the land sales. The first sale of lands selected for the canal west of Lafayette was set for the first Monday in October, 1842.[29]

During 1842, $196,000 of scrip was prepared by the treasurer and $102,041 paid out; 14,733 acres of the lands were sold for $105,026. Approximately fifty miles of the canal between Lafayette and Terre Haute was under contract at a cost of $301,868.[30] In his message on December 5, 1843, Governor Bigger reported construction was progressing more rapidly than anticipated. He also said that the state was seeking additional land from the government since the length of the canal was greater than the distance used for the basis of land selection.[31]

BOARD OF FUND COMMISSIONERS AND THE PUBLIC DEBT

By the internal improvement act of 1836 matters relating to the finances of the public works had been placed in the hands of a Board of Fund Commissioners. By the act of February 24, 1840,[32] which also reorganized the Board of Internal Improvement, the existing Board of Fund Commissioners was abolished and a new board created composed of Milton Stapp, a member of the old board, and the treasurer of state who was Nathan B. Palmer.

The situation confronting this board was appalling. In his report of November 15, 1840, the state auditor estimated the total cost of the public works including the Wabash and Erie Canal up to that time to have been $6,638,803. There were no receipts yet on any of the works except the Wabash and Erie Canal, and the canal land sales and tolls had brought in $306,261. The treasurer estimated the public indebtedness of the state as $13,667,433 as of October 31, 1840.[33] The state's "suspended" debt, that is the amount owed to the state for bonds sold but for which nothing had been received and little if anything expected, was listed as $3,559,791. The major portion of this comprised bonds hypothecated to the Morris Canal and Banking Company including $1,000,000 worth of bonds sold to increase the state's capital in the State Bank.[34] There was also the "unfunded" debt due in 1841, including the state debt owing the State Bank,[35] amounts due contractors on public works, and amounts due on treasury notes,[36] which amounted to $2,110,433. To these, of course, had to be added the interest due July 1, 1841, amounting to $683,371.65, including an already incurred deficit of $40,000 due in 1840. And the treasurer estimated that only $195,000 was available to meet the 1841 interest. It would be up to the General Assembly, said the treasurer, to devise some means of meeting this interest and up to the Fund Commissioners to carry out whatever method was devised.

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[28] *Laws of Indiana,* 1840-41 (general), pp. 199-200.

[29] *Ibid.,* 1841-42 (general), pp. 24-27.

[30] See below, 452, 496n, 633-34n.

[31] See below, 633-34n.

[32] *Laws of Indiana,* 1839-40 (general), pp. 51-52.

The generally depressed economic situation of the state restricted the legislature in making its tax levy any higher than was necessary to meet the current expenses of the state. An act was passed by the 1840-41 session of the Assembly designed to pay the interest on the public debt and redeem the treasury notes as they came due by authorizing the Fund Commissioners to use any portion of the suspended debt due the state that could be collected and also authorized the sale of internal improvement bonds with interest not exceeding 7 per cent.[37] The Assembly abolished the two-man

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[33] See below, 88, 71-77.

[34] See below, 23.

[35] See below, 23-24.

[36] See below, 34-39.

[37] *Laws of Indiana,* 1840-41 (general), p. 200.

Board of Fund Commissioners and in its stead elected Noah Noble sole fund commissioner whose duty it should be to take charge of the public debt of the state and realize what he could from the suspended debt and the property held as security by the state in the East.[38]

In the ensuing year the state reached a crisis in its finances which, as Governor Bigger said, had been "dreaded indeed by many, but which it was hoped might be avoided." She defaulted on her July interest and her credit was shattered. Noble and the state treasurer, George H. Dunn, had gone East as instructed by the Assembly, but market conditions and the generally deflated economic state made it impossible for them to realize anything from the suspended debt or find any market for the state's 7 per cent bonds. Noble had returned to Indiana to endeavor to procure funds from branches of the State Bank, but received no encouragement. July 1 passed and the interest was not paid. Governor Bigger, in his message to the 1841-42 Assembly,[39] estimated the annual interest on the public debt at $615,000. And not only was the state unable to sell its bonds, it could not hope to realize anything from the collection of taxes to save its credit, because it had been a condition of the authorization of the treasury note issue that those notes would be receivable for taxes, and it was anticipated that most if not all the revenue of 1841-42 would be paid in these notes. Also the amount of these notes in circulation meant that it would be several years before there would be any funds available from tax collections to pay any of the interest due on the state debt.

It was inevitable that there would be strong demands from all sides as to why and how the state had gotten itself into this woeful situation. Noah Noble's report as Fund Commissioner, besides relating his futile efforts made to sell bonds or obtain a loan to meet the interest, also included a lengthy account of his investigation of the state debt. The picture that he drew was complex and confused. Governor Bigger, in referring to his report, observed that "every fair and impartial mind must receive the impression that Indiana has been in many instances the victim of preconcerted imposition and fraud," and added that "while so much is said in a spirit of reproof, on the subject of Indiana protecting her credit under such a complication of difficulties, we ask to have it remembered, that some of those upon whom we relied for the means of progressing with our public works, have not kept their faith with us." "As to our own public agents identified with these transactions," he added, "so far as any of them have wilfully violated their duty, they should answer therefor to the proper tribunals of the country. You will of course, in justice to all concerned, give this subject a fair and impartial investigation, and if necessary, direct such proceeding as justice and the interest of the State may demand."[40]

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[38] *Laws of Indiana,* 1840-41 (general), pp. 214-18. See also below, 142n.

[39] See below, 322.

Here the Governor was voicing what individuals and the press had been urging, and the Assembly was not long in acting. Both the Senate and the House appointed investigating committees. The Senate committee was instructed to summon all those who had served as fund commissioners and all others who had been concerned with the sale of state bonds and obtaining loans for the state and the State Bank, and all those who had served as members of the Board of Internal Improvement and as contractors on the public works, to be interrogated on their actions, while the House committee was instructed to concern itself with investigating the various agents of state who had been responsible for disposing of state bonds and getting loans for the State Bank.

The report of the Senate committee ran to almost six hundred pages and that of the House to about 275 pages. The Senate committee admitted that the condition in which the state found itself was attributable in part to faulty legislation. However, it found much to condemn in the actions of many whom they questioned, found some wanting in judgment, and others lax in performance of their duties. Some they exonerated completely. They recommended action be taken against only three—Dr. Isaac Coe and Milton Stapp, fund commissioners who had been responsible for the large suspended internal improvement debt, and Alexander F. Morrison, one-time member of the Board of Internal Improvement. The House committee found Fund Commissioners Coe and Stapp guilty of malversations of office and recommended that action be brought against them in behalf of the state, but only after first allowing them time to settle their accounts with the state.[41]

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[40] See below, 328-29.

But such investigations could not lessen the severity of the state's plight. To alleviate this was the task of the ways and means committee of the House, and after due consideration that committee frankly admitted that they could see no means available with which the state could meet its debt short of direct taxes, which, it said, would have the "decided disapprobation" of the people. The Democratic majority also injected into the report the observation that not only would the economic condition of the state make such a tax unfeasible, it would also be unjust—unjust because this debt had never actually been sanctioned by the people, and they had been induced to give it what support they had on the basis of erroneous and false reports, which were, in turn, "based upon wild and visionary opinions, mistaken ideas, and false theories." The committee then recommended a levy sufficient to meet the expenditures of the state and provide for the gradual redemption of the treasury notes.[42] This the Assembly passed.

The only action the 1841-42 Assembly took in relation to the public debt and the interest thereon was to abolish the office of fund commissioner and appoint an Agent of State, Michael G. Bright, who was instructed to take over the duties of the fund commissioner and to dispose of the internal improvement debt of the state "on such conditions as he may deem for the interest of the State," and also "to arrange compromise and settle the amount of the suspended debt or any part thereof."[43] It was at this session, it will be recalled, that the act was passed authorizing the state to turn the public works over to private companies for completion.

In December, 1842, in his message to the Assembly, the Governor reported that the condition of the public debt was materially unchanged.[44] No interest had been paid on the internal improvement bonds and after considerable investigation the state agent had concluded that nearly the whole of the suspended debt would be lost.[45] And in his final message delivered December 5, 1843, Bigger reported that the situation continued the same.

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[41] See below, 343-47n.

[42] See below, 405n.

[43] *Laws of Indiana,* 1841-42 (general), pp. 18-19.

Indiana never repudiated her debt outright. In 1840 Governor Bigger had asked, "Shall the faith and character of the State of Indiana be sustained? . . . We must discharge our honest liabilities with the most scrupulous punctuality."[46] And left it up to the legislature to find the way. The following year, when the state had defaulted and he acknowledged that he saw no way of discharging the interest in the near future, he still spoke optimistically that if the state used her resources properly and prudently, she could redeem her sunken credit. In his message of December 6, 1842, he said, "It is not to be denied, that men have sometimes been found in our country, who, if they do not advocate repudiation, at least give countenance to views which must result in repudiation." After discussing the right of a state to repudiate its contracts, he went on, "But while we deprecate actual repudiation, which, avoiding the direct act, produces the same result . . . we should never lose sight of our liabilities, nor seek to avoid, either directly or indirectly, the demands of justice."[47]

From time to time resolutions were introduced in the Assembly to repudiate the suspended debt, but none ever passed.

Some states, which, like Indiana, had incurred internal improvement debts in this period, did repudiate outright, and the issue became a national one. In his inauagural address Governor Bigger had discussed at length the "right" of the states to the proceeds of the public lands which could be used to pay the states' debts and prosecute public works.[48] He was not alone in seizing upon the public domain as a means of rescuing his state from financial chaos. Other Whigs in 1840 were recommending it. The *Spirit of '76,* a newspaper published in Indianapolis to support Harrison's campaign, declared that "from the moment the only lien on the Public Lands was discharged, by the payment of the public debt, the states were entitled to their share of the lands as their property; and the General Government had no more right to use the proceeds of them for current expenses, than to draw on the Treasury of the State of Indiana for the same object."[49] The argument was that the tariff on foreign importations should be sufficiently high to defray the expenses of the General Government, and the proceeds of the lands should come to the states. However, the diminishing tariff, due to the Compromise Tariff of 1833, was working against this scheme. By an act of Congress approved September 4, 1841, certain states including Indiana were to be allowed 10 per cent of the net sales of public lands within their boundaries, and the net residue was to be divided among all the states. This act was suspended on August 30, 1842. Indiana's portion during the time the act was in force amounted to $26,877, but ironically she received only $12,902, the difference being retained by the Federal government to help meet the interst due on Indiana bonds held in trust by the United States for the Choctaw and Chickasaw Indians.[50]

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[44] See below, 493.

[45] See report of the Agent below, 564-80.

[46] See below, 116-17.

[47] See below, 494-96.

[48] See below, 119-25.

The matter of the debt incurred by the states became a problem of the Federal government for another reason. State bonds had been bought abroad and the faltering credit of the individual states was affecting the credit of the nation. In a speech at Faneuil Hall in October, 1842, quoted in the Indianapolis *Journal* on October 19, 1842, Secretary of State Daniel Webster expressed his concern over this and then added, "I do not undertake to say what Congress may have the power to do, but if the great public domain does indeed belong to the states, then there is a means provided to enable them to save their credit."

Whigs in states in plights similar to Indiana's generally were taking the line, as propounded in the Indianapolis *Journal* of November 9, 1842, and January 25, 1843, of blaming Jacksonians for their state's difficulties, of having been encouraged by Jackson to undertake their own improvement programs only to be confronted suddenly with the suspension of the banks and the withholding of the Surplus Revenue, and they looked to the Federal government for relief.

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[49] Issue of March 21, 1840.

[50] See below, 287n, 457-58, 492.

In Indiana there was some enthusiasm expressed for the plan put forth by William Cost Johnson, Congressman from Maryland, which was an extension of the idea of distribution whereby the Government would issue stock to be distributed to the states in ratio to their population, with proceeds from the sale of public lands being used to pay for the stock. Stock would bear 4 per cent interest. Foreign holders of state bonds and stock could exchange them for the stock guaranteed by the public domain.[51] Such a plan was advocated as the "speediest and most effectual means of relieving the states from their embarrassments, restoring the national honor and preserving at the same time all the industrial interests of the country from pressure." It would save the people from heavy taxation and salvage the public works.[52]

Governor Bigger, in speeches made during his unsuccessful campaign for re-election, found merit in the Johnson plan, and figured Indiana might receive as much as $6,000,000 by it. "This," he said, "would secure the payment of our indebtedness, leaving a balance of only $2,000,000 to be provided by direct tax." While he declared that he was not ready to endorse such a plan outright, he felt that something of this kind would be ultimately necessary and proper, and he denied that the Whigs wanted the Federal government to *assume* the state's debts, as the Democrats were saying. Linked with the plan, he pointed out, was a higher tariff which would protect domestic industries and provide the means of the General government for paying its expenses.[53]

The Democratic *State Sentinel,* on February 4, 1843, spoke out against such a scheme, calling it "a mighty bribe, to induce the people to give the Whig party their support." The *Sentinel* then bluntly stated its position in regard to the state's debt and what should be done about it. "The State of Indiana," it said, "owing to the incompetency of our whig fund Commissioners, and the consequent failures of those who received our bonds and failed to pay, to the amount of *four millions of dollars,* we were in 1839-40 saddled with a *home debt* to the [State] Bank and individuals, in our own State, to an amount of upwards of two millions of dollars [treasury notes] more than a million of dollars of which debt still exists. We are gradually absorbing it, and if Democrats are elected next August, as I feel assured they will be, in four or five years more we shall be able to pay off our home debt . . . previous to that time, we will not, as a State, be able to pay a single dollar on our foreign indebtedness."

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[51] The plan was discussed in the Indianapolis *Indiana Journal,* March 21 and 22, 1842.

[52] *Ibid.,* June 7, 1843. See also below, 211n.

[53] *Ibid.,* June 14, 1843.

This was a frank statement, and since the Democrats carried Indiana in 1843, and the nation in 1844, a fair prophecy of what was to be.

The State Bank

By the end of 1840 there were thirteen branches of the State Bank of Indiana in operation, and the authorization of three more had been granted by the legislature. This institution has been regarded as having been generally well and conservatively managed, and it withstood the impact of the Panic of 1837 and the depression that followed better than other western banks. While it had suspended specie payment in November, 1839, after resumption in August, 1838, it was, at the time Bigger took office, regarded as sound. But the period of 1840-43 was to be one of trial for it.

Doubtless the fact that the Whigs retained control of the governorship in the crucial financial years of 1836 to 1843 was fortunate for the Bank. And if it had been able to keep itself free of the financial problems of the internal improvement program, it would have had much smoother sailing.

The 1838-39 session of the legislature had authorized the increase of the state's stock in the State Bank by $1,500,000 in 1839, and by $700,000 a year for the five succeeding years. This would, it was believed, not only aid the agricultural, mechanical, and commercial interests of the state, but would also provide an income with which the state could pay the interest on its internal improvement debt.[54] This proved to be a most unfortunate move.

In April, 1839, Samuel Merrill, president of the Bank, went East with Milton Stapp, the state's fund commissioner, to negotiate a loan for the stock. He was inexperienced in such transactions, and upon the advice of Stapp and Dr. Isaac Coe, a former fund commissioner, he made an agreement to sell $1,000,000 of state bonds on credit to the Morris Canal and Banking Company, the same company with which the state was already so deeply involved in internal improvement debt. These bonds were to be paid for beginning in September. The company was unable to meet its payments and Merrill failed to have the bonds returned to him and was forced to take a variety of collateral securities to insure them.[55] In his report as state agent made in December, 1842, Michael G. Bright said of these bonds, ". . . with the exception of a few thousand dollars, [they] never have, and probably never will be paid for. In the purchase of these bonds, Doct. Coe had a joint interest with the Bank [the Morris Canal and Banking Company]. The books of the institution show that it was a partnership between them."[56] No further effort was made to get funds to increase the state stock in the Bank as provided by the Assembly, and the state was saddled with an increased suspended debt. This unfortunate transaction naturally discredited the Bank in the public eye.

At this time, too, the Bank itself was saddled with a debt it had incurred in behalf of the internal improvement program. In August, 1839, the contractors on the various works had been informed by the fund commissioners that there were no more funds on hand and they were advised to suspend work until funds were again available. However, before this the branches of the State Bank had stepped in and made advances totaling approximately $700,000 to continue work on some of the projects. The

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[54] *Laws of Indiana,* 1838-39 (general), pp. 15-17; *Messages and Papers of David Wallace,* 167-68n.

[55] See Merrill's report in *Messages and Papers of David Wallace,* 23.

[56] See below, 346n, 347n. Dr. Coe received sharp criticism for his connection with this sale of bonds when the legislature was investigating the conduct of the Fund Commissioners.

House, during the 1839-40 session was controlled by the Democrats and a report by the committee on the state debt remarked on the "unholy alliance" between the Bank and the improvement system, and denounced the branches for making the advances and increasing the state's debt to the bank on works which the committee felt would in the long run be total losses to the state.[57] Nothing was done at this session to provide for the payment of this debt.

It was the feeling of Governor Bigger and the majority of the legislature in the 1840-41 session that it was for the general good of the state that the debt to the Bank should be paid as soon as possible, and an act was passed authorizing the issuing of state bonds bearing 6 per cent interest in New York (7 per cent in London) to be delivered to the various branches of the bank in sufficient amounts to meet the debt.[58] By the following May these bonds were estimated to be worth only about 60 per cent of their face value and the branches refused to accept them.[59] In his annual report, dated December 1, 1841, President Merrill reported that the state's debt to the Bank remained unchanged.

The Governor in his message to the 1841-42 session again reiterated that the liquidation of this debt was essential.[60] There was a strong sentiment in the legislature, particularly in the Democratic House, for an early resumption of specie payment by the Bank, and it was admitted that before resumption could be required, the State's debt to the Bank would have to be paid.[61] The Assembly, after considerable debate, reverted again to the dubious device of treasury notes,[62] authorizing the immediate issue of enough two-year $5.00 notes bearing 5 per cent interest as was needed to wipe out the debt. The joint resolution which authorized this also required the branches of the State Bank to resume specie payment by June 15, 1842.[63]

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[57] *Messages and Papers of David Wallace,* 417-20.

[58] *Laws of Indiana,* 1840-41 (general), p. 199.

[59] Proceedings of the Board of Directors of the State Bank, May, 1841, in Archives Division, Indiana State Library.

[60] See below, 330-31.

[61] Indianapolis *Indiana State Journal,* December 22, 1841; report of House committee on the Bank, below, 380.

[62] See below, 36-39.

The use of treasury notes instead of bonds to pay the Bank had been under consideration during the previous session. They were favored by the Bank over bonds, and Samuel Judah, speaker of the House, had considered them preferable. "It is best for the State," he wrote, "because it will save the excess of the interest over the exchange; for the people, because it will secure a reasonable circulation; and for the Bank, because these can be used, and the bonds cannot at present."[64] His was a too optimistic viewpoint, however, as will be seen below, in the discussion of the treasury notes.

The business of the bank fluctuated little in 1840 and 1841. In his report dated December 1, 1841,[65] Merrill observed that "the industry and enterprise of the country have little encouragement to engage in any operations that can be avoided. No one undertakes new business, or invests capital, but with hesitation and reluctance." There were, in his opinion, two principal causes for this condition. One was "the general want of confidence in the stability of the currency, property and business of the country," and the other was "the neglect to provide that the products and industry of the State shall meet the importations from abroad." Sound money and a protective tariff were essential in Merrill's mind for sound economic growth.

One of the Bank's problems, which Merrill pointed out, was the seasonal demand for money due largely to its business with farmers, and he felt the lending of more to exporters would tend to equalize its business; at his suggestion the Bank lessened its discounts to merchants and increased those to exporters. Merrill's reports are notable for their objectivity in regard to practices of the Bank and its branches, and he frankly admitted that most of those who borrowed from the Bank were stockholders and he questioned whether many of the Bank's officers sought their position only to enable themselves to borrow money.

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[63] Joint resolution approved January 31, 1842. *Laws of Indiana,* 1841-42 (general), pp. 82-84.

[64] See letter of February 8, 1841, below.

[65] See below.

Merrill also emphasized that resumption of specie payments by the Bank was dependent upon what other banks did. The Indiana bank was planning to resume the first of August, 1842, or sooner if the banks in the neighboring states co-operated. As to its paper, almost a half million dollars of the small notes authorized by the preceding legislature had been sent to the branches and it was anticipated these would replace the small notes of other states as the basis of circulation in Indiana.

Bigger echoed Merrill in regard to resumption in his message of December 7, 1841. But the Assembly, with its increased Democratic membership, passed the joint resolution cited above ordering the board of the State Bank to close any branch which refused to pay specie after June 15, 1842, or if the board failed, the Governor was to act. The states of Ohio, Kentucky, and Illinois were urged to take similar steps.

The privilege extended to the Bank to issue small notes, mentioned above, was to have considerable political repercussion, and some further mention of it should be made. Under the original charter the Bank was allowed to issue no notes under $5.00. In the 1840-41 session this limitation was removed and the Bank was permitted to issue notes as low as one dollar.[66] The Whig-dominated legislature granted the right to issue these notes because of "the universal complaints of our people in every section of the State in reference to the abundant prevalence of small notes of Ohio and other States, and the demands made upon the legislature for a remedy of that grievance," according to the Indianapolis *Indiana Journal* of January 17, 1842. The same Assembly passed an act prohibiting the issuing of bills by any individual or corporation in Indiana except the State Bank for the purpose of being used as a circulating medium or as a substitute for Bank notes.[67]

The privilege of issuing small notes was linked with the provision for investing the revenue from the Surplus Revenue, College, Saline, and State Bank school funds in State Bank stock.[68] There were strong protests against the diversion of the income from these funds to Bank stock. They had been used heretofore only for real estate mortgages. The trustees of Indiana University, for example, objected to it, saying that it had been generally intended that its funds be secured by real estate, not Bank stock.[69] Others protested the security of the investment. The Indianapolis *Journal* identified the opponents as locofocos seeking to create "an issue between the bank and the State, to avert the eye of the people from the deformation of locofocoism. To produce a popular excitement to be thus directed, that sub-treasuries, a ruined treasury and ruined people, the experiments and falsehoods and corruptions of twelve years, the name of Van Buren and the atrocity of his party, may all for a season be *Forgotten* until a majority may be foisted into the Legislature to *secure* the *election* of a Locofoco United States Senator!"[70]

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[66] *Laws of Indiana,* 1840-41 (general), pp. 192-96, 202-4.

[67] *Ibid.,* 120-21.

[68] *Ibid.*

The *Journal* insisted the Bank would not stand for repeal of this provision "Amid the general ruin . . . that institution is all that remains to the blighted fortunes of the State. . . . Its currency is the safest and almost the only medium of trade, in the dearth of specie, upon which our farming and laboring interest can rely." ". . . in place of coming out manfully and proposing above board, that the small bill circulation should be suppressed or the bank wound up, they [locos] show some *little fear of the people*—lest perhaps it would not help them, next August, to be enquired of, why they had put down the bank's small bill issue, and returned upon us the shinplasters and spurious trash of the times. The resort therefore of these magnanimous patriots, is to try to effect their object *indirectly*—and to force upon the bank the calling in of the small bills. For this purpose, they propose to repeal the provision of law, under which the bills were issued. . . ."[71]

The Democratic *Sentinel,* on November 9, 1841, in anticipation of the political fight over this matter, linked it with resumption which Democrats were demanding. It denounced the argument that Indiana banks could not move toward resumption without the banks of the neighboring states going along. "This paltry plea is familiar to our people. It has been effectually used not only to justify our banks in their refusal to pay their debts, but also to grant a Legislative dispensation to grant *shin plasters.*"

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[69] See below, 296-97.

[70] Issue of January 17, 1842. See also 396-98n, below.

[71] *Ibid.*

Despite the *Journal's* prediction that the Bank forces would prevent repeal, the Democrats forced a compromise. That part of the bill concerning the investment of the various funds in Bank stock was repealed; however, the Bank was permitted to continue the issue of small notes, with the provision that after June 15, 1842, they would be redeemed in specie upon presentation at any of the branches.[72]

The House committee on the State Bank reported at length at this 1841-42 session of the Assembly in regard to resumption and on the condition and practices of the Bank. The committee, appointed in the Democratic House, naturally favored resumption. Though they admitted resumption might be followed by a contraction in the Bank's business, the restored confidence which would follow that step would in the long run make up for this. For, said the committee, they refused to give their assent to the propriety of a bank's making large dividends, while, as they put it, it refuses to pay its debts. While the committee felt that President Merrill fully appreciated the principles of the business of banking, they questioned whether he had been able to enforce them at all the branches.[73]

In fact, the sentiment in regard to the Bank at this session was such that the pro-Bank element decided that reassurance in regard to that institution both to the people and the legislators would be a good idea, and joined in support of a joint resolution providing for an investigation of the Bank. By the resolution Nathan B. Palmer, former state treasurer and fund commissioner, was appointed the agent to make the investigation and report to the next session of the Assembly. The joint resolution had originated in the Senate and when passed in that chamber had carried the name of Tilghman A. Howard as agent. The House amended it to read Palmer. The Senate preferred someone away from the capital and suggested Michael G. Bright or James Whitcomb, but the House insisted upon Palmer.[74] Bright was later elected at this session the agent to investigate the state's bonded indebtedness.

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[72] *Laws of Indiana,* 1841-42 (general), pp. 85, 86.

[73] See below, 378.

Palmer's appointment was generally well accepted. As the *Wabash Express* said, "The examination was instituted . . . to gratify the suspicions of a few men in and out of the Legislature. We hope," this Whig paper continued, "he will take a good look into matters, and make no apologies about 'mare's nest' he couldn't find."[75] The Indianapolis *Journal* regarded the whole matter "as a *bore* on the public" and unnecessary, since President Merrill annually went over the same ground as the agent was ordered to cover.[76]

Palmer's report,[77] lengthy and detailed, was generally creditable to the Bank, though certain of the branches came in for sharp criticism. Those who opposed banks generally could find some satisfaction. Palmer found that the Bank presented a "favorable attitude, so far as regards a comparison of the present cash means with her immediate cash liabilities, but an unfavorable aspect in relation to the solvency and availability of the amount due her on her discount line both in notes and bills." He found unwise favoritism practiced in several of the branches which was responsible for much of the Bank's suspended debt. He concluded that "if honest prudence shall govern the institution from this time forward, no apprehension need be entertained. . . . With regard to her ability for future business, it is most manifest that it must be small for a considerable time at least, as the effect of so large a portion of her means being in a suspended and unconvertible condition, is, and will continue to be, equivalent to a withdrawal of so much of her capital, and of consequence, a similar reduction of her business." Palmer found that the date for the required resumption of specie payment had passed without panic due in large measure to careful preparation by the branches, though some of them had experienced some difficulties. Specific recommendations and criticisms that Palmer made led to legislation in regard to such matters as the reduction of stock owned by the state and by individuals in the Bank and the eligibility and qualifications of the directors of the Bank and its branches.

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[74] For action on this resolution see *Senate Journal,* 1841-42, Senate Joint Resolution No. 63, index.

[75] Quoted in Indianapolis *Indiana Journal,* June 8, 1842.

[76] *Ibid.*

[77] See below, 527-59.

There were points in Palmer's report to which Merrill took exception, but on the whole it was well received and doubtless had a beneficial effect on the Bank.

Experience had taught the people the value of a bank and of a sound circulating medium represented by its notes, and both Democrats and Whigs felt an interest in maintaining it. The Democratic press found difficulty in expressing this attitude. The *Sentinel,* in commenting on Palmer's report, said it raised grave doubts about the future of the Bank. "Many of the leading Whigs, alarmed at the disclosures made in the report, are ready at once to cut loose from the bank, and let her go down—indeed many of them, after having their own ends accomplished; after seeing, that in her present condition, the bank is a great and overwhelming weight to the whig party, they are willing to sacrifice the interest of the State in the institution, if they can only shake the Bank. This, however, cannot be done. . . .

"There is but one course for the democratic party now to pursue. They should not, because opposition to banks, as at present constituted, is a cardinal feature in Democracy, endeavor to prostrate our State institution, while there is hope left that abuses will be reformed, and her high character reinstated. . . ."[78]

The following March, curiously, the *Journal* was declaring the State Bank was not the responsibility of the Whig party, "and although," it said, "it is by no means our purpose to wage any crusade against that Institution, which is well enough in its place, and whose issues are the only Currency that the policy of Locofoco Rulers (State Scrip excepted), has left us, yet we shall show you, that General Jackson first introduced and recommended such Institutions: that their introduction was opposed by the leading Whigs of the Nation, and sustained by the leading Locofocos."[79]

Despite the difficulties of defining the proper political attitude to adopt toward the Bank, Indianans had accepted it, and from 1843 onward for another decade it was to prove itself a sound and profitable institution.

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[78] Issue of January 23, 1843.

[79] Issue of March 21, 1843.

TAXATION AND STATE REVENUE

The above discussions covering the internal improvement program, the public debt, and the State Bank, have presented a fairly complete picture of the financial situation of the state during Bigger's administration. When he took office, the people of Indiana were suffering the effects of the Panic of 1837; business was depressed, money was scarce, and times were generally hard. It was not a time to seek relief for the state's financial plight through taxation.

The depressed condition of Indiana is evident in the report of the auditor of November 15, 1840,[80] in which he noted a decrease in the value of taxable property in the state since the 1839 assessment of $20,906,186 or a loss to each taxpayer in value of property of $208.75. In 1839, when the tax levy had been 30 cents on each $100 valuation, the assessment had totaled $363,688; in 1840 the tax levy was reduced to 15 cents, and the assessment totaled $192,786, a decrease of income to the state of $170,901.

In reporting this situation, the auditor again urged the Assembly to take steps to correct certain weaknesses in the mode of assessing and collecting the revenue which he felt would be fairer and bring greater returns to the state. In his message in December, 1839, Governor Wallace had stated that the loss which the treasury sustained because of imperfect assessments was truly astonishing. The following year he estimated that one fifth of the taxable property of the state escaped assessment.[81] The auditor estimated that in the assessment for 1840 there were 2,235,906 acres of taxable land not assessed. He also pointed out the great variation in value assigned to lands similarly situated. He said that it was the practice of the assessor to ask the owner the value of his farm instead of the assessor fixing it himself from actual inspection as required by law.[82] In his inaugural address to the legislature Bigger called attention to the need for a just and equitable assessment of real estate.[83]

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[80] See below.

[81] *Messages and Papers of David Wallace,* 325-26, 459.

The Assembly responded by passing a series of acts for the more equitable and cheaper mode of assessing and collecting the revenue, which provided for county and state boards of equalization.[84] Samuel Judah extolled the act, saying it would "induce a just system of valuation in every part of the state, it will cause all the property subject to taxation to be taxed, and it will lessen the expense as well as the risk of mistakes. It will increase the annual income of the state, at the ordinary rate of taxation, at least $20,000 a year."[85] The definition of personal property was also extended by the act.[86]

Unfortunately the creation of a board to equalize assessments throughout the state met strong opposition, and there was widespread demand for the repeal of that feature of the legislation. The auditor expressed concern over this in his annual report made on November 1, 1841. He stated that the object of the county board was "to protect individuals from unjust, or onerous assessment, on the one hand, and to prevent favoritism by the appraiser on the other, and as with individuals so of the different townships . . . and after the appraisement of a county is equalized by the county Board of equalization, the whole is returned to a State Board of equalization. The object of this board is *not* to increase the aggregate valuation of the State, but to distribute that valuation fairly between the different counties. . . ." He declared with such a law "counties jealous of the advantage of others, seek to throw the burthens as much as possible upon those counties thus supposed to be favored . . . a county which this year was valued at 3,000,000, may next year be valued at 1,500,000."[87] There was much misunderstanding abroad about the intent of the measure, and there was a strong impression that the state board could raise or lower taxes at will, and also that raising valuation meant raising taxes. Despite vigorous defense of the measure and the introduction of various amendments intended to quiet the opposition, that part of the law that provided for the State Board of Equalization was repealed at the following session of the Assembly.

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[82] See below, 83-85.

[83] See below, 119.

[84] *Laws of Indiana,* 1840-41 (general), pp. 1-48. See pp. 7-8 for provisions for county and state boards.

[85] Letter of January 24, 1841, below.

[86] *Laws of Indiana,* 1840-41 (general), p. 35 .

[87] See below, 263-64.

In his inaugural Bigger noted that the previous year the tax levy had been reduced from 30 cents to 15 cents despite the increase in state debt. He attributed this cut to political expediency. "Every prudent man who owes a debt above his present means, which he intends to pay, regards its liquidation by regular instalments as preferable to its accumulation at compound interest, wherever it can be avoided."[88] The Assembly fixed the tax levy for 1841 at 40 cents on the $100 and the poll tax at 75 cents. The 40-cent levy was to be set aside to meet the interest on the state bonds and the poll tax was to be devoted to the civil list.[89] This brought in, according to the auditor's report of November 22, 1842, $393,248.[90] The rate for the following year was reduced to 20 cents, with a poll tax of 50 cents.[91] When this rate was adopted, the House ways and means committee took the position that under the existing circumstances the state could not tax itself to meet the interest on the public works and set aside no part of the levy for that purpose. The tax they levied was designed only to meet the necessary expenditures of the state government and gradually redeem the treasury notes. The same rate was continued in 1843.[92]

The first year under this rate (1842) the collection amounted to $214,188. The treasurer, on November 3, 1843, in reporting this collection said that it was "as full a payment as was to have been expected, and gave evidence of the efficiency of the system adopted, and of the faithfulness of the officers. . . ."[93]

However, the tax collections throughout Bigger's administration were so largely in treasury notes that other means had to be resorted to to pay current expenses—interest from canal lands, income from internal improvements, etc. When Governor Bigger relinquished his office, the public debt was approximately what it was when he became Governor, and the state's revenue was tied up in the depreciating notes.

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[88] See below, 116.

[89] *Laws of Indiana,* 1840-41 (general), 47-48; see also below, 118n.

[90] See below, 468.

[91] *Laws of Indiana,* 1841-42 (general), p. 73.

[92] See below, 462n.

[93] *Documentary Journal,* 1843-44, House Doc. No. 3.

State Treasury Notes

Perhaps a discussion of the treasury notes, why they were issued and the provisions made for their redemption, should be inserted here.

The legislature in 1839-40, confronted with an empty treasury and heavy indebtedness to the contractors employed on the various public works, had fallen back on the dubious solution of issuing state treasury notes, totaling a million and a half dollars, to be used to pay off contractors who were willing to suspend operations on their contracts. Half of the notes were to be in denomination of $50.00 and half of $5.00. The $5.00 notes were made redeemable in one year, the $50.00's in two years, with 6 per cent interest. The act provided that the notes would be receivable for state taxes.[94] Two years later, when the state had failed to sell bonds to meet its debt to the State Bank for advances made by the branches to the contractors, the Assembly again resorted to treasury notes, these to be issued in $5.00 denomination in an amount necessary to pay this debt, and were made redeemable in two years with 6 per cent interest. These notes were to be accepted by the state in payment of any principal or interest due the state except for Wabash and Erie Canal lands. This authorization was part of the joint resolution requiring the resumption of specie payments by the Bank.[95]

The issuing of state treasury notes was always the cause of much debate and protest. Their constitutionality was doubtful since the United States Constitution forbade states to emit bills of credit. The Whigs took the attitude that it was the Democrats who had saddled the state with these notes, which they referred to as "disgraceful rags," "vile, depreciated loco-foco currency," etc.[96] State Treasurer Nathan B. Palmer, in his 1840 report, observed that "the resort of issuing Treasury Notes, on many accounts, and particularly the injurious effects upon the credit of the State by its paper being hawked about in small amounts and at discount, is highly objectionable and should if possible be avoided."[97]

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[94] *Laws of Indiana,* 1839-40 (general), pp. 17-21.

[95] *Ibid.,* 1841-42 (general), pp. 82-83.

The notes immediately presented two problems. That they were made receivable for taxes and debts due the state meant that state revenue collections would be almost altogether in treasury notes, and there would be a shortage of currency with which to pay the current expenses of the state. Also there had to be some provision made for their redemption.

The Whig-controlled legislature of 1840-41 made only a feeble attempt to provide for redemption, authorizing the Fund Commissioner to use any portion of the suspended debt it could liquidate or sell internal improvement bonds for that purpose.[98] It was, of course, following this that Fund Commissioner Noble was unable to sell Indiana bonds to meet the July interest on the internal improvement debt, and likewise failed to sell any for treasury note redemption.

The state treasurer, George H. Dunn, in his report of December 1, 1841,[99] stated that of the revenue collected by the state for the year, totaling $166,802, there had been $149,700 in treasury notes, with interest thereon of $4,450, leaving only $12,652 with which to pay the current expenses of the state. The deficiency was made up out of interest on canal lands and out of the Common School Fund.

There was a much stronger feeling that provision should be made to meet this domestic debt than that the state should tax itself to meet the "foreign" debt, i.e., the interest on its internal improvement bonds, an attitude which caused considerable criticism in the East and abroad. The House ways and means committee at the 1841-42 session urged that a sufficiently high tax levy be adopted to sustain the credit of the state and keep the treasury notes in circulation. "Those notes are in circulation," ran the report, "they are in the hands of the people, and to allow them to depreciate would create a greater loss, and impose a heavier burden upon the people than the tax which is intended to sustain their credit. It is not probable that there will be any means for the redemption of the notes in question, other than taxation, and to postpone it would increase the debt and depreciate the paper."[100] The revenue act which was passed levied a state tax of 20 cents on each one hundred dollar valuation of taxable property and a 50 cent poll tax. Ten cents of the 20-cent levy was to be set aside for the redemption of the treasury notes. The following year the same levy was continued, with 15 cents of every 20 cents set apart for redemption.[101]

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[96] Indianapolis *Indiana Journal,* December 7, 1842.

[97] See below, 76.

[98] *Laws of Indiana,* 1840-41 (general), p. 200.

[99] See below, 283.

It was this 1841-42 session, it will be recalled, that provided for the state's debt to the Bank to be paid in treasury notes. The Bank had expressed its willingness to receive the notes, but the House committee on the Bank had some misgivings about it. Not only was it likely that these notes were unconstitutional, but such an issue would be injurious to the public interest and unprofitable to the Bank; this increase in state treasury notes would, it said, accelerate the depreciation of those in circulation which was already great. Furthermore, the only means of redemption was by direct taxation and this additional issue would mean a grievous tax upon the people. The committee preferred payment out of canal land sales and out of loans of the Sinking Fund and Surplus Revenue.[102] The legislature, however, provided for the note issue.

It seems strange that the Bank would have looked with favor on this method of payment. It will be recalled that at the previous session the Bank had been authorized, for the first time, to issue small notes on which after June 15, 1842, she had to pay specie, and the treasury notes would constitute a concurrent circulating medium, but without specie backing.

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[100] See below, 405.

[101] *Laws of Indiana,* 1841-42 (general), p. 73; 1842-43 (general), pp. 74-75.

[102] See below, 381-82.

By the next session the evil of such scrip was apparent. In his report of November 22, 1842, the treasurer reported an expected deficiency in funds for the coming year.[103] One possibility for meeting it was a new issue of notes, another was the re-issue of those taken in. But, he stated, "great and almost insuperable objections exist to any further issue of treasury paper, or when once redeemed, that it should be again used for ordinary expenses." Treasury notes, he said, had been resorted to as a temporary measure to pay debts contracted in good faith and with no view of paying such in paper. Despite the effort of the Assembly to keep up their value by making them receivable for public dues, they had circulated at about 35 to 45 per cent discount. Under such circumstances, the treasurer pointed out, the state could not defray her expenses with them with any show of justice to her creditors or credit to herself. The treasurer felt that if no new issue was made, and if the $700,000 issue for the Bank were not forced suddenly into circulation, and a sufficiently high tax was levied for redemption, those notes remaining in circulation after March next ($600,000 to $650,000) should constitute a sound currency.

The auditor, Morris Morris, in his report of November 22, 1842,[104] opposed an additional issue and advocated any means which would have a tendency to increase the value of those already in circulation. Owing to their depreciation, he predicted that the taxes for 1842 would be paid almost entirely in that medium. He pointed out that aside from the great loss that everyone had realized who had paid a debt in this currency since its depreciation, there was the disadvantage "of its having driven from circulation *par* funds." He advocated raising the levy for their redemption. This, as we have seen, the Assembly did, and also made treasury notes receivable for county dues, for dues to county seminary funds, for school money loaned and school lands sold, for money due the Surplus Revenue fund, and for Wabash and Erie Canal lands east of the Tippecanoe.[105] This latter measure the auditor had strongly advocated, since "so long as the State refuses to receive them for particular funds, so long will public confidence continue weak. . . ."

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[103] See below, 458-59.

[104] See below, 473.

[105] *Laws of Indiana,* 1842-43 (general), p. 29.

Thomas J. Henley, Democratic representative from Clark County, questioned making the notes receivable for debts due the various school funds. In the long run, he said, the funds could only be reimbursed by direct taxation and this a future legislature might refuse to do. ". . . no State," he said, "has as yet been able to raise any means for educational purposes, in this manner [taxation]; our school fund, and that of other States in the west, having been derived by donations from the General Government." He attacked Governor Bigger for supporting the measure and at the same time posing as an advocate of public schools.[106]

The treasury notes issued for the Bank posed a particular problem. Resumption of specie had drawn a clear line of demarcation between the Bank's own notes and the treasury notes. Bigger, in his message to the Assembly on December 6, 1842,[107] pointed out the mistake of having two types of currency circulating at one time sustaining different values. "The worse currency is forced upon the people by every pretext which cupidity can suggest, while the better circulation is to a great extent withdrawn from its legitimate employment, and applied, in the hands of the brokers, to dealing in the depreciated currency." He urged the earliest redemption possible to save the people from further loss and the state from embarrassment. The House committee on the Bank acknowledged that the notes had been the occasion for more embarrassment than relief to the Bank.[108]

Samuel Merrill, president of the Bank, said that while the resumption had meant a great reduction in currency, the notes of the Bank, backed by specie, were passing easily. However, under the circumstances, an uncertain currency should not be tolerated. The treasury notes had become mere merchandise, measured as to value according to the reduced amount of currency in the hands of purchasers. The Bank was unable to keep up the value of the notes issued for it and it was recommended by the Bank board that the branches use them to lend to borrowers of the Sinking Fund and Surplus Revenue Fund to aid them in paying their interest and principal. In this way a fund would be made available for their redemption and the state debt to the Bank would be paid eventually. Merrill had also asked the opinion of James Kent, Chancellor of the State of New York, as to the constitutionality of the notes, and Kent had replied that in his opinion they were "bills of credit" and therefore null and void under the Constitution. In light of this it was felt that the branches should be discouraged from putting them in circulation.[109]

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[106] Indianapolis *Indiana State Sentinel,* December 30, 1842.

[107] See below, 491-92.

[108] See below, 611.

At the end of 1843, when Bigger was leaving office, the treasurer estimated there were $1,250,000 of treasury notes still outstanding and predicted that it would be at least the end of 1849 before they could be closed out at the prevailing tax levy. And this was based on the assumption that all the taxes collected would go for their redemption, and that there would be funds from other sources reaching the treasury sufficient to meet the state's expenses.[110] In his final message to the Assembly Governor Bigger spoke strongly against a re-issue of treasury notes, stressing that they were passing below par and a re-issue would mean further depreciation.[111]

Relief and Stay Laws

At this time it might be well to pause and consider what action was taken during these years to alleviate the effect of the depression on the financial condition of the people. As a result of the hard times following the Panic of 1837, there were pleas for help from citizens who were unable to meet obligations they had incurred in more prosperous times. "Stay" and "relief" laws were passed by many of the states to save the debtors from the pressure of the creditors.

The clamor for relief was strongest in the central and southern parts of Indiana. As one legislator explained, wheat, which was grown in the northern counties, still commanded a fair price, but pork, the staple of the central part, did not command a price that justified driving it to market.[112] In 1841 many communities were threatened with near ruin from the press of collection.

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[109] See below, 593-94n. See also report of the agent appointed to investigate the State Bank, below, 535-36.

[110] *Documentary Journal,* 1843-44, House Doc. No. 3, p. 19.

[111] See below, 631.

In Indiana, as elsewhere, there were mixed sentiments in regard to relief legislation. Charles H. Test, Whig senator from Wayne County, declared all stay laws were flagrant violations of the Constitution. "If the Legislature can stay the collection of a debt for one year they can stay it for ten; and if they can stay it for ten, then they can nullify the contract all together [*sic*]," he warned.[113]

The Whig Indianapolis *Journal,* on October 4, 1841, admitted there was "great pecuniary embarrassment existing in Indiana," but it could not see "what relief an unreasonable stay of execution would bring to the unfortunate debtor. In the first place," it continued, "four fifths of that class (and it comprises almost the entire community) would be unable to avail themselves of its benefit, from the great unwillingness there would certainly exist with solvent individuals to stand as securities for that [two or more years] length of time. In the next place nearly all would find themselves as little able to discharge the debt with accumulated costs and interest, at the end of the stay, as they would at its commencement."

The Goshen *Democrat* also opposed the relief laws. Had such measure been adopted in 1837, it said, it would have served many an honest but unfortunate man. Now it would be destructive to the interests of all. "The crash is over," it said. "Men are recovering by a reliance on their own energies, and without the aid of these temporising remedies."[114]

The legislation that was passed can be briefly summarized. In the 1839-40 legislative session, under Governor Wallace, a "stay" law was enacted providing for a stay of execution of one year after date of judgment rendered in any court of the state and a stay of eight months on judgment rendered by a justice of the peace.[115] This measure had started out in the Democratic House as a bill

[112] Letter of Ebenezer M. Chamberlain, December 18, 1841, below.

[113] Letter of February 9, 1841, below.

[114] Issue of December 23, 1841.

[115] *Laws of Indiana,* 1839-40 (general), pp. 49-51.

providing that no property should be sold on execution for less than two thirds of its appraised value, but it had been amended in the Whig Senate to be a straight stay law, and so passed. The Democratic *Sentinel* commented that the Whigs had managed for one set of stays to come due in time to operate on the August election, and the other on the November election.[116]

In the following session, the first under Governor Bigger, the Whigs controlled both houses, and an act was passed providing that real estate to be sold under execution should not be sold for less than one half its appraised value.[117] The stay law remained in force. The following year an act was passed providing that neither real estate nor personal property should be sold for less than two thirds its appraised value.[118] While passage of this act was pending the Assembly passed a joint resolution postponing or suspending sale of personal property under execution until after February 1, 1842.[119] This was done because it was generally understood that some act restraining creditors would pass this session and the prospect of this would cause them to press relentlessly for collection before the new law could take effect.

One can only hazard a guess as to what might have been the outcome of the relief and stay laws. Early in 1843 the United States Supreme Court, in the case of Bronson *v.* Kinzie set aside all acts of the Illinois legislature allowing a stay of execution and prohibiting sale of property on execution for less than two thirds the appraised value as violations of the contract clause of the Constitution. This decision immediately invalidated similar laws of other states.

Acts were also passed by the Indiana General Assembly providing relief for borrowers from the Sinking Fund, Surplus Revenue Fund, and the College and Saline funds, and upon the Governor's recommendation the 1842-43 Assembly passed an act postponing until January, 1844, the sale of lands and lots for nonpayment of taxes in 1841. Imprisonment for debt was abolished by the 1841-42 Assembly.

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[116] Issue of December 28, 1841.

[117] *Laws of Indiana,* 1840-41 (general), pp. 130-32.

[118] *Ibid.,* 1841-42 (general), pp. 64-67.

[119] *Ibid.,* 77.

EDUCATION

While Governor Bigger expressed concern over the school situation in Indiana, as had the chief executives who served before him, nothing fundamental was accomplished during his administration to improve it. The schools that were open were still far from even beginning to provide the educational system envisioned in the Constitution.

Governor Wallace had recommended the creation of a state board of public instruction and the appointment of a state superintendent of common schools to oversee the school funds, provide competent teachers, and stimulate local support of schools.[120] During the first year of Bigger's administration the House committee on education made a lengthy report in favor of such an appointment, but no action was taken. The Assembly did pass a long, detailed, but ineffectual act to revise and amend the 1838 act incorporating Congressional townships and providing for public schools therein. Two years later, at the Governor's request, the state auditor compiled a lengthy statistical report based on answers to a questionnaire submitted to county auditors relative to the local administration of the school fund.

Using this report as the basis of his remarks, the Governor spoke at some length in his message to the legislature on the need for a complete and thorough investigation of the school fund and how it was handled, on the inadequacies of school facilities, and on the need for clarification of the complicated mass of school laws that baffled even the disciplined legal mind and were the chief obstacle to wise legislation. He also pointed to the millions of dollars that had been lavished and wasted on public works while schools had been forgotten. No concrete action was taken and no remedies offered by the Assembly. In his final message Bigger could only urge the legislators to guard the "sacred funds" designed for schools.

A lengthy report on the condition of the State University at Bloomington by a select House committee was submitted on January 27, 1841.[121] It acquitted the president of the university, Andrew Wylie, of all charges that had been preferred against him and his administration of university affairs and pronounced him "eminently qualified" for the station he occupied.[122] In line with recommendations of the committee the Assembly amended the act governing the university, reducing the board of trustees to nine members and making other changes in administration.[123]

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[120] *Message and Papers of David Wallace,* 344-45, 475.

Throughout the rest of Governor Bigger's term the affairs of the university seem to have commanded little attention of either the legislature or the governor. In his final message Bigger found the institution in flourishing condition. The private church-affiliated colleges—Wabash, Asbury (De Pauw), Hanover, and Franklin—continued in operation.

Though nothing was done in regard to common schools, there was some evidence of the growing sense of responsibility on the part of the state in regard to the education of the deaf and dumb. An act was passed and approved February 13, 1843, levying two mills on every $100 valuation of taxable property for this purpose,[124] and in his final message Governor Bigger announced that an independent institution had been established in Indianapolis where the legislators could witness demonstrations of what could be done to educate deaf mutes.[125] The Assembly in the 1843-44 session, after Bigger was out of office, passed an act to establish a deaf and dumb asylum, incorporated a board of trustees to procure a house for the asylum in Indianapolis, and continued the two-mill tax.[126]

Care of the Insane

The House committee on education on January 26, 1842,[127] in considering the need for a state lunatic asylum, acknowledged that the insane should be placed in an institution under the care of trained and experienced personnel. Twenty-one states of the Union had one or more such asylums; Indiana had none. Within the states and territories having no asylums, there were, according to the census, 566 insane persons, and of this number Indiana had 241. Again the public works fiasco was cited. The committee pointed out how Indiana had been "shamefully squandering her resources on works which are likely to be viewed only as monuments of *folly,* and neglecting to build up those institutions which the cause of humanity should have erected." Thirteen citizens of Indiana, according to the report, had applied for admission to the Ohio Lunatic Asylum and had been refused for want of space. In light of this report the Assembly passed a joint resolution making it the duty of the Governor to hold correspondence with the superintendents of lunatic asylums in the various states to ascertain approved plans of construction, manner of conducting them, etc.[128] In his final message to the Assembly, Governor Bigger reported that he had complied with the resolution and would transmit his findings to the Assembly.[129] It was left to his successors to carry on.

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[121] See below.

[122] For further reference to this see *Messages and Papers of David Wallace,* 343-44n.

[123] *Laws of Indiana,* 1840-41 (general), pp. 110-11.

[124] *Ibid.,* 1842-43 (general), pp. 75-76.

[125] See below, 638.

[126] *Laws of Indiana,* 1843-44 (general), pp. 36-38, 120.

[127] See below.

STATE PRISON

The reports on the State Prison located at Jeffersonville made by the visitors and the superintendents are revealing of the appalling conditions that prevailed in that institution when Bigger took office. The system of farming out the prison to the highest bidder or bidders was still in operation. Benjamin Hensley and Samuel Patterson were the contractors at this time. The report of the visitor, Rufus Haymond, dated October 30, 1840,[130] urged that the state should take over the administration, placing it in the hands of a salaried agent who would have no selfish consideration to influence his conduct toward the inmates. He pointed out that under the present system the contractor or contractors to whom the institution was farmed out were induced to overwork the men and feed and clothe them as meagerly as possible, since under their contract with the state they had to pay the expenses of the prison as well as a fixed sum for the privilege of operating it. The visitor felt that in the long run the state would not lose under the agent system since men who are well fed and clothed and treated as rational human beings would be more productive. The only real object of punishment was to prevent crime, the visitor said; it was not to profit from the labor of those being punished. He recommended the construction of a new building to house a badly needed hospital and a chapel, and urged the appointment of a chaplain. He also said that the cells should be remodeled to allow a freer circulation of air.

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[128] *Laws of Indiana,* 1841-42 (local), pp. 181-82.

[129] See below, 636-37.

[130] See below.

Bigger made no reference to the prison in his inaugural. But the House committee on the prison of the 1840-41 session of the Assembly, to which was referred the visitor's report and recommendations of Governor Wallace that the state should adopt the agent system, reported at length on January 6, 1841.[131] It concluded that under the prevailing financial conditions it would be impolitic for the state to assume the administration of the prison. Rather, they recommended a proposition made by the Messrs. Hensley, one of whom was an incumbent contractor for the prison, for taking over the prison for the manufacturing of rope and other items. Under the arrangement proposed the net profits would be divided between the Hensleys as superintendents and the state. If the state's portion fell under $4,000 in any year, the difference would be made up out of the superintendents' share. The latter would employ a physician for the prison and a clerk. The committee favored this proposal because of the financial arrangement with the state and because it would employ the prisoners within the walls and thus do away with their working outside and competing with local labor. If the state took over the management, the committee said, it would have to employ an officer to operate it and pay him a salary and he "might not feel so much interest in the profitable prosecution of the business, as one who had a share in the matter, and whose profits in fact depend upon the good or bad success of the undertaking." Incredible as it may seem, after this rationalization, the committee said that believing as they did that the "true object of Penitentiary discipline, is the reformation of the offender, and not his punishment," they endorsed the visitor's recommendation that a chaplain be appointed for the prison.

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[131] See below.

The Assembly passed an act incorporating the committee's recommendations, providing for the appointment of a superintendent or superintendents for a term of five years who would have authority to employ the prisoners at whatever labor was deemed best "to promote the interests of the institution." All labor was to be employed within the walls. Profits were to be shared with the state. A chaplain was to be appointed by the Governor for $250 a year. Additional cells and a hospital and chapel were to be constructed out of the state's share of the profits.[132]

The contract with Hensley and Patterson ran until June, 1841. In these last months, due partly to a personal feud between them, the prison, according to the visitor, reached an unprecedented state of degradation. The Hensleys did not become superintendents under the new act, the contract going to Joseph R. Pratt and John McDougal. The first months of their administration showed improvement in discipline and management, and on November 30, 1841, they could report a balance above indebtedness of $6,899 from various kinds of labor performed by the 125 inmates, including blacksmithing, carpentry, wagon making, tailoring, shoemaking, brickmaking, etc. They had erected some new shops and planned to commence the hospital and chapel in the spring. However, they admitted there was too much sickness.[133] The visitor attributed this to the diet the prisoners received and the crowded conditions and extremely poor ventilation in the shops and cells. More medical service and medical supplies were desperately needed. The visitor stressed the desirability of a new location and expanded facilities and declared it was impossible to do anything with the old buildings on the present site.[134]

Governor Bigger made a personal inspection of the prison in the fall of 1841, and while he could not condemn the administration of the institution by the superintendents under the existing law, in his message to the Assembly on December 7,[135] he declared that he had "no hesitation in saying that the Prison itself, and the entire policy of its discipline, as established by law, cannot be too soon abandoned for the character of the State." No one, he said, could manage the present prison with any success—the buildings were too small, they were ill-designed, and very poorly constructed. The new buildings being built filled up the prison area completely, making for poor ventilation and extremely unhealthy conditions.

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[132] *Laws of Indiana,* 1840-41 (general), pp. 136-40.

[133] See report below, 277-79.

[134] See below, 269-76.

Upon his recommendation the Assembly passed an act authorizing him to purchase a site of from ten to twenty acres outside Jeffersonville and appropriated $1,000 for this purpose. He was also authorized to contract with the superintendents for prison labor to construct a wing of a new prison on the site containing cells for two hundred prisoners and $5,000 was appropriated for this. The act also provided a board of inspectors for the prison and an allowance for medicine.[136]

During the following year a site was acquired and work was begun on the new building. The new visitor to the Prison, William Cooper, gave what was undoubtedly a too agreeable picture of the institution in his report of November 26, 1842.[137] He commended the superintendents for the neatness, order, and discipline that prevailed, said the diet of the prisoners was liberal and wholesome, clothing good, and health improved. A large portion of the men were employed in erecting the new prison. The superintendents' report on December 3,[138] acknowledged that the poor ventilation and crowded conditions were causing much sickness and said that the speedy completion of the new buildings was imperative.

The House committee of the 1842-43 session took a stand opposed to that of the committee of two years before, and more in line with the recommendations of the former visitor, Rufus Haymond. It expressed the conviction that in future the control and profits of the prison should belong exclusively with the state and introduced a joint resolution that the Governor be requested to procure information in relation to the best mode of managing a state prison. The resolution did not pass. The House committee also urged rapid completion of the new building, referring to the one in use as a "calcutta hole."[139]

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[135] See below, 336-37.

[136] *Laws of Indiana,* 1841-42 (general), pp. 98-101.

[137] See below.

[138] See below.

The Governor, however, apparently was now satisfied with the existing legislation. In his final message to the Assembly he reported the new prison was progressing rapidly toward completion and added ". . . if the policy of the last two years should be continued the cause for reproach so long and justly resting on this part of our criminal jurisprudence will be removed."[140]

THE ELECTION OF 1843

The Whigs nominated Bigger for re-election in 1843 and chose John H. Bradley of La Porte County as his running mate. The Democrats nominated James Whitcomb and Jesse D. Bright. Bigger campaigned against heavy odds. The financial gloom that hung over the state when he took office had not lifted perceptibly and the Whig party had not rallied from the calamity of Harrison's death. Whitcomb, destined to be one of the ablest of Indiana's governors, was a strong, shrewd party man, with a good and disciplined mind. Bright was to become one of the outstanding personalities of Indiana history. They comprised a strong ticket for Bigger and the floundering Whigs to contend against.

While the Indianapolis *Indiana State Journal* proclaimed, "There has never been a public officer whose trust has been executed with more fidelity than has that of Governor Bigger. No blot rests upon his reputation as an officer or as a man. . . . Governor Bigger's administration of his office has been faultless . . .,"[141] the Democratic *Sentinel* responded, ". . . we believe him to be an honest gentlemanly man—but he is not blessed with depth of thought or originality. In prosperous times, when there

[139] See below, 621.

[140] See below, 636.

[141] Issue of March 29, 1843.

is but little for a Governor to do, except to sign his name to commissions, and deliver a message to the legislature, he would do well enough. . . . Our situation as a state is deplorable; Gov. Bigger and his friends do not even *propose* any means of relief. . . . We have tried Bigger, and have ascertained that he can do nothing for our relief. . . ."[142] The Madison *Courier* said that the state deserved and must have a change.[143]

Whitcomb waged a Jacksonian campaign, opposing establishment of a national bank, a protective tariff, and the assumption of state debts by the Federal government. While the candidates approached the question of what to do about the internal improvement debt from different angles, in the final analysis their conclusions meant the same thing—nothing could be done about it for the time being. Bigger, in his speeches, would say there were three possible solutions: repudiation, direct taxes, and Federal assumption by some plan such as that advocated by William Cost Johnson based on the proceeds of the sale of the public domain. He "wholly repudiated" the first possibility and the second he said would require such a high levy the people of Indiana would not bear it. While he could not endorse the Johnson plan at that time, he felt it should be considered.[144]

Whitcomb and Bright declared the state was not morally responsible for the "suspended" debt estimated at $4,000,000, which left roughly $8,000,000 bonded indebtedness. They opposed any plan of Federal assumption as unrealistic and were willing to postpone payment until the resources of the state had been developed to the point that she could pay them as well as her state debt and state expenses.[145]

The desire for a change and the vigorous and effective campaigning of both Whitcomb and Bright probably accounted for the outcome. The Democrats swept the election but not by an overwhelming vote, Whitcomb winning 60,784 votes and Bigger 58,721. The Democrats won majorities in both houses of the legislature, the *Sentinel* of August 29, 1843, finding the Senate with 26 Democrats and 24 Whigs and the House with 55 Democrats and 45 Whigs. The Democrats won eight of the state's ten Congressional seats.

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[142] Issue of May 9, 1843.

[143] Issue of May 20, 1843.

[144] Centerville *Wayne County Record,* June 6, 1843.

[145] *Ibid.,* June 28, 1843.

In explaining their defeat the Whigs attributed it in part to the loss of Methodist votes. According to one story, while a member of the legislature, Bigger, a Presbyterian, was supposed to have moved to lay on the table a petition from the Methodist Conference praying that a Methodist minister be appointed to the faculty of Indiana University. He was supposed to have remarked at this time that there was no Methodist minister in the state qualified to be a professor. This remark was recalled by Whitcomb during the campaign and President Simpson of Indiana Asbury (now De Pauw) University was supposed to have rallied the Methodists against Bigger. Whether or not this had any effect on the outcome of the election it is impossible to say.[146]

Elizur Deming, a Whig, ran for governor on the Liberty ticket in this election, and polled 1,683 votes. If these votes had gone to Bigger, it would have meant a close vote, indeed, between him and Whitcomb. The Indianapolis *Journal* was aware that the Abolition vote would cut into Bigger's strength and warned that any Whig support of Deming might cause the downfall of the Whig candidate and the triumph of Locofocoism.[147]

After leaving office Bigger moved to Fort Wayne and resumed his law practice in partnership with Joseph K. Edgerton. He refused to be considered as candidate for presidential elector in 1844 or as candidate for governor in 1846. He died unexpectedly September 9, 1846, probably of a bilious fever. His wife, Ellen Williamson Bigger, whom he had married on May 25, 1830, survived him.[148]

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[146] L. C. Rudolph, *Hoosier Zion. The Presbyterians in Early Indiana* (Yale University Press, 1963), 180-81; George B. Manhart, *De Pauw Through the Years* (2 vols. Greencastle, Ind., 1962), 1:6; Robert D. Clark, "Matthew Simpson, the Methodists, and the Defeat of Governor Samuel Bigger, 1843," in *Indiana Magazine of History,* 50 (1954), 23-33.

[147] May 31, 1843.

[148] *Samuel Bigger, Fort Wayne's Forgotten Man.*

MESSAGES AND PAPERS

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Visitor to State Prison: Report[1]

Brookville, Indiana,
October 30th, 1840

To His Excellency, David Wallace, Governor of Indiana:

Sir—A commission from your Excellency, appointing me "Visiter to the State Prison for the year 1840," dated the 17th, was received on the 19th of August, 1840. For the purpose of performing the duties enjoined upon me by law, I left home upon the 26th of September, and arrived at Jeffersonville on Monday the 28th, and commenced my examination of the condition of the Prison; a report of which you will find below.

The "sources of information" upon which the following statements are founded are, personal inspection of the prison and prisoners, from questions addressed to the Superintendents,[2] citizens of Jeffersonville, and the prisoners themselves.

The Books of the Prison

The law requires that a "Journal of the transactions of the Prison" shall be kept by the Superintendent.[3] This provision of the statute seems at present to be wholly disregarded, and so far as I was able to learn, always has been. It occurs to me that a journal of this description is a matter of some importance, so far at least, as a regular record of the copies of sentences delivered with the prisoners is concerned, and consequently this requisition of the law should be enforced.

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[1] Indiana *Documentary Journal,* 1840-41, House Doc. No. 10, pp. 135-41.

[2] Samuel H. Patterson and Benjamin Hensley. The five-year contract with Hensley and Patterson as superintendents of the State Prison began June 13, 1836. See *Messages and Papers of Noah Noble,* 444-45n.

[3] The general law governing the prison was re-enacted in 1838 as a part of the *Revised Statutes.* See page 573, sec. 6, for this requirement.

There is a Day-Book and Ledger in which the accounts of the prison are regularly kept, showing the condition of the establishment—and such, I suppose, as the law contemplates.

The book in which is entered "the name, trade, or occupation, age, size, complexion, and a complete description of every prisoner," &c. &c., is regularly kept.

Food

The prisoners are principally fed upon corn-bread and meat, (pork, beef, and mutton, boiled,) and a greater part of the time are supplied with potatoes. The specimens of bread which I had an opportunity of examining, were wholesome and good. Almost all the prisoners of whom I made inquiry, and I questioned many of them, seem well satisfied with the *amount* of provisions allowed them, but complain of the manner in which it is prepared. An occasional change of diet, would not only be very grateful to those unfortunate men, but conducive to their health—and the Superintendent should be especially required to extend this favor to the sick at least, if it should not be considered expedient to extend it to all.

Apparel

The prisoners, at the time of my visit, were clothed in shirts and pantaloons, made of a very course description of linen, with caps and hats, and a few with shoes. This, I was informed, is the constant summer dress. They are allowed clean clothes once a week. In winter they are furnished with janes pantaloons, and that description of coat denominated round-about, with shoes and stockings.

Labor

Such of the prisoners as are able are kept pretty constantly at labor, when the weather will permit. The time appropriated to labor, I was informed, is from sun-up until sun-set, allowing an hour to each meal.

There are in the prison one hundred and two persons; out of this number Mr. Patterson has under his charge fifty-eight men and one woman—and Mr. Hensley forty-three men. Mr. Patterson informed me that amongst his hands there were two Wagon-Makers, nine Coopers, four Blacksmiths, five Carpenters, one Painter, and five Tailors—the most of whom are worked inside of the walls in comfortable shops—the balance are kept in companies outside of the walls, at chopping wood, driving teams, brick-making, and many other descriptions of labor.

Mr. Hensley has one Tailor, one Blacksmith, four Carpenters, and one Bricklayer; the balance of his hands are principally engaged in brick-making. None of these men complained of being worked too hard. I was told by many of them that it was usual to have certain tasks allotted them as a day's work, and for all which they did over and above this they received pay—but that they were not punished for a failure to perform these tasks. They are usually compelled to labor several hours on the Sabbath.

Punishment

The usual punishment is whipping with a cowhide. Several of the prisoners complain of having been unjustly and unmercifully flogged, within the present year; but I am inclined to the opinion that those who have been whipped deserved *some kind* of punishment, with probably one exception. It is however, a very difficult matter to ascertain whether the punishment inflicted is proportionate to the offence—for those who complain of having been unjustly punished, were it seems whipped by one of the Superintendents, secretly, whose statement upon oath, I supposed I had no right to require, and the affidavit of the criminal himself, would scarcely be entitled to credit even in a matter where he was entirely disinterested.

There are certainly many other modes of Punishment which might be substituted for *whipping,* with results equally as good, and which would save the disgrace both of inflicting and receiving the lash. One or two of the prisoners, for insubordination, have been shot—a mode of punishment, which, to those possessing the ordinary feelings of men, must be far preferable to whipping, the usual mode of punishment.

Care of the Sick

There were some three or four of the convicts sick, whom I found lodged in the prison kitchens; the most suitable apartments about the establishment for such a purpose; but which, to me, were very uncomfortable and almost intolerable on account of smoke with which they were constantly filled, to say nothing of other odors, the natural emanations of the kitchen. I made inquiry of those upon the sick-list as to their treatment, and was informed by each, that they were as well treated as the nature of circumstances would admit of; and that Mr. Hensley, whose hands they were, treated them as a father—and furnished them many articles of diet, not used in the prison, and which are so necessary to the sick. Messrs. Hensley and Patterson have an intelligent physician employed by the year, to administer to the sick of the prison.

There was one man whose name, I believe, is Kelly, complained of having been severely whipped for failing to work when he was not able, in consequence of an attack of Intermittent fever; and from what I learned from his physician, I have reason to believe that his complaints are well founded, and that he was unjustly punished.

Cleanliness

Cleanliness is as well observed as can reasonably be expected, under the circumstances, so far as the persons and apparel of the convicts are concerned:—but the yard or grounds within the walls, is incumbered with many descriptions of dirt and rubbish, which should be removed, both on the account of comfort and health of the inmates.

Bedding

The prisoners are furnished with linen bed-ticks, which they are allowed to fill with straw, or sleep upon them empty, at their own option. Their bed-clothing consists of blankets and fragments of blankets, which from their color, acquired by age and use, it is difficult to tell whether they are clean or otherwise—but I was told by some one that they are seldom or never washed—and by others that they were occasionally.

Lodging

The convicts are usually lodged two in a cell. About half of these cells are seven and a half feet long, four wide and eight and a half high—the balance are eight feet long, four wide and nine feet high. I was told by Messrs. Hensley and Patterson both, that they were lodged, two in a cell at night, because there was not room for them separately in the cells of the new building, and that the old apartments were so badly ventilated, that their health and lives were endangered by being confined in them; of the truth of which I have no doubt, and which will render the alteration of these or the erection of new ones absolutely necessary. It seems that the mortality amongst the prisoners previous to the erection of the new building, was much greater than at present—and goes far to extenuate the breach of the law in this particular.

Bibles

The law requiring each of the prisoners to be furnished with a bible, has not been strictly complied with, and consequently many of them are destitute of this Book. The reason given for the neglect, is that they sell or destroy them, and it is therefore considered an unnecessary expense.

The cells are so dark, one half of them, that it is utterly impossible to read in them, and the balance are but little better—and there are but few opportunities afforded them to read out of the cells. I was told that Bibles should hereafter be furnished to every individual confined in the Prison.

Preaching and Religious Instruction

All orthodox ministers of the gospel who request it, are allowed to preach to the prisoners on the Sabbath—but it is very seldom that such a request is made. And all who desire it, have facilities afforded them on the Sabbath, to "teach the prisoners to read, instruct them in a knowledge of the Scriptures, and for the distribution of religious tracts among them"—but there are but few who avail themselves of the privilege.

The Privilege of Speaking to Each Other

From the fact that these individuals are confined at night two in a cell, and worked in companies during the day out side of the walls, it will readily be seen, that they have every opportunity afforded them which they could desire, to "speak to each other" both during the day and night.

Having given a brief statement of such information as I have been able to collect upon the various subjects connected with the management of the State Prison, I will avail myself of this opportunity to make a few suggestions in relation to the future management of this establishment.

It is my opinion that the present plan, of farming out the prison to the highest bidder, and the law upon which it is founded, might be changed and some other substituted, with the happiest results both to the prisoners themselves, and ultimately to society, of which they are to become members.

If the prison, instead of being farmed out to the individual who will pay the State the greatest amount of money annually for the use of it, was placed under the control of a State agent, with a liberal salary to be paid out of the State Treasury, he could have no selfish considerations to influence his conduct towards the unfortunate individuals under his care, as is the case under the present system.

The whole expenses of the prison are borne by the contractors,[4] who pay in addition some thousands to the State, and consequently have inducements, which are difficult for most men to resist, to *over* work, as well as scantily feed and clothe the convicts. The State would certainly not be the looser by placing it in the hands of her own agents, if care be taken to select proper individuals for such a situation, for the prisoners when well fed, clothed, and treated as rational beings, will certainly do as much or more labor, than they would under an opposite plan of treatment.

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[4] See *Revised Statutes,* 1838, p. 572, sec. 2.

I do not, however, wish to be understood as *particularly* implicating Messrs. Hensley and Patterson, but intend these remarks to apply generally; and as all men are more or less selfish, it would seem to be the wisest policy to make it the *interest* of the Superintendent to treat the prisoners well, rather than his interest to mal-treat them.

The time for which the prison was farmed to Messrs. Hensley and Patterson will expire on the 13th of June next (1841,) and now is the proper time to make such alterations as the Legislature in their wisdom shall think right and necessary.

The present practice of working the prisoners outside of the walls is fraught with several evils—among which may be enumerated the frequent escapes of the Prisoners, and the opportunities afforded them whilst thus employed to have uninterrupted communication with each other—two evils, which, in their ultimate results upon society, are likely to produce far worse consequences than to have suffered them to go at liberty instead of placing them in *this* prison, which to say the least of it, is rather calculated to teach men vice than virtue. All men partake more or less of the habits of their associates, and those in *our* penitentiary are still more likely to than other men, cut off as they are, from *all* moral and religious instruction—having no advice, no associates but felons, and no means of gaining information, except from men who know nothing but evil. All men of ordinary capacity (and most of these men possess considerable cunning) are constantly acquiring information of some description—it is plain to see therefore, that, when deprived of all other sources of knowledge, (as our convicts are,) except that one which teaches them crime, what the consequences will be.

"The true and only real object of punishment is the prevention of crime," which can never be effected whilst we have a system of punishment, which instead of improving the morals of the prisoners, has a direct tendency to corrupt them. Society has undoubtedly a right to punish offenders against the laws, but certainly have no right in so doing, "to endanger the health, intellect or remaining principles of any," even the most abandoned—but on the contrary should do all that can possibly be done to improve them.

A great number of our prisoners escape, who are never retaken, principally in consequence of being kept outside of the prison. I was told that three had escaped during the present year (1840) who have not been retaken—and many others have escaped who have been reclaimed. From these considerations it does seem to me that they should never be allowed to go outside of the prison walls, but should be kept at work inside, where they should be strictly watched and never suffered to speak to each other—which would both prevent escapes and the corruption of morals which must be the result of unrestricted intercourse with each other. At night they should be placed in solitary confinement.

There should be erected within the walls, a building two stories high, of sufficient size, one story to be used as a chapel and school room, and the other appropriated to the use of the sick. Such a building is of the utmost importance to the proper regulation of the prison, and deserves the serious consideration of the Legislature.

Every intelligent and philanthropic citizen who will acquaint himself with the condition of the unfortunate inmates of the prison, so far as provisions for the sick and the means of religious instruction are concerned, will, I apprehend, acknowledge that the institution under the present arrangement is a reproach to the state.

There should be a regular chaplain to the prison, whose duty it should be to preach to the prisoners once, twice, or oftener each week, and otherwise instruct them as he may think best. To render the labors of a chaplain available, however, it is important that a chapel should be erected, for there is no room about the prison suitable to preach in.

It will be necessary also to alter the old cells so as to allow a freer circulation of air through them; or to erect new ones, there being more prisoners than suitable cells in which to confine them.

There is one other regulation which strikes me as of some importance, which I will name; i. e. That the superintendent, be required faithfully to preserve the clothes which the prisoners bring with them, or to furnish them at the time of their discharge with a new suit. The universal practice of the prisoners now is to sell their clothes to their fellow prisoners, who are discharged, and spend the money for tobacco, &c., &c., so that each one at his exit from the prison is bound to spend the last cent of money allowed him by law to procure a suit of clothes—and is consequently left destitute of the means of support, necessary to enable him to reach his friends—and as there is much difficulty in a discharged convicts obtaining employment or even the sympathies of mankind, they are liable to suffer for provisions, and consequently tempted to procure them by unlawful means.

RUFUS HAYMOND[5]

Treasurer of State: Report on Three Per Cent Fund[1]

TREASURER'S OFFICE,
INDIANAPOLIS, 31st October, 1840

TO THE GENERAL ASSEMBLY OF THE STATE OF INDIANA:

I have the honor, herewith to lay before the General Assembly, a statement of the condition of the 3 per cent. fund.

Very Respectfully,

N. B. PALMER
Agent 3 per cent. Fund.

The total amount of the 3 per cent. fund received from the United States, prior to the 1st November, 1839, including, also, $2,550 received from the State Treasury, is	$472,630 61	
There has been received from the United States, the present year	23,709 20	
Add amount received as premium on draft on Bank of America, sold	959 56	
		$497,299 37

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[5] See below, 174-80n, for the House committee report on the State Prison and the Assembly action thereon. See also *Messages and Papers of David Wallace,* 457-58, for Governor Wallace's remarks on the prison to this Assembly.

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[1] *Documentary Journal,* 1840-41, House Doc. No. 1.

The payments from this fund on the various appropriations to roads, rivers and counties, prior to the 1st November, 1839, was	$454,599 57	
There has been paid on same account the present year, up to this date	19,279 10	
The total amount of incidental expenses to this date, is	5,033 94	
		$478,912 61
		$ 18,386 76

Leaving, on the 1st November, 1840, on hand, subject to the order of the proper commissioners, the sum of $18,386 76.

It will be perceived, that the amount of this fund for the present year, has been swelled nearly $1,000 by premium on draft on Bank of America, sold by the undersigned, and the avails carried into the general account of this fund.

The following table[2] will show the amount appropriated to each of the several objects, to which this fund has been directed; also the amount paid to, and the balance due to each.

The right hand column shows the amount yet going to each county to meet all existing appropriations: this balance, however, is but a portion of it now on hand, there being yet to be received from the United States the sum of $941 24, to each county, to fill the appropriations heretofore made.

To ascertain the amount now on hand for any county, subtract the said sum of $941 24, from the amount set in the right hand column as due the proper county, and the balance will be the amount now on hand for such county, and subject to the draft of the commissioner.

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[2] The table is printed in the *Documentary Journal,* but has not been reproduced here.

By the foregoing table, it will be perceived, that there has been specially appropriated to roads, rivers and counties, the sum of $574,148 58

The total amount received by the Agent, from the United States and State Treasury, including also, $959 56 premium on sale of draft aforesaid, is	$497,299 37	
From which deduct total amount of incidental expenses since the establishment of the Agency up to this date	5,033 94	492,265 43
		$ 81,883 15

Exhibiting a balance of appropriations over the amount received from the United States and other sources, of $81,883 15.

All of which is respectfully submitted.

N. B. PALMER,
Agent 3 per cent. Fund

Treasurer of State: Annual Report[1]

TREASURER'S OFFICE,
INDIANAPOLIS, 31st, Oct. 1840

TO THE GENERAL ASSEMBLY OF INDIANA:

The undersigned herewith transmits, for the information of the Legislature, 1st. The Treasurer's Report of the general state of the Treasury; (not including Internal Improvements;) 2d. An estimate of the probable receipts and expenses of the Treasury proper for 1841; 3d. An exhibit of the public debt, and the amount necessary to meet the interest on the same; (being on account of the Internal Improvement debt;) 4th. The Loan Office Report: Statement A, relates to the College Fund; Statement B, the Saline Fund; Statement C, the Congressional Township Fund; Statement D, the State Bank School Fund; to which is added the items of expenditure paid from the Contingent Fund, and a bill of the purchase and cost of stationery.[2]

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[1] *Documentary Journal,* 1840-41, House Doc. No. 4.

Very Respectfully,

N. B. Palmer, Treasurer of State

[1]

Treasurer's Office,
Indianapolis, 31st Oct. 1840.

The Treasurer of State, in obedience to the directions of the "Act concerning the Auditor of Public Accounts and Treasurer of State," submits the following report of the receipts and expenditures of the State, and the operation of the Loan Office, &c., from the 1st November, 1839, to the 31st October, 1840, both inclusive.

Receipts.

There was a balance remaining in the Treasury on the close of the last financial year of	$ 30,466 32
Receipts during the fiscal year from revenue of 1837	100 00
1838	20 00
1839	313,427 02
From sale of lots at Indianapolis	4,017 79
From rents of State Prison	18,100 00
From estates without known heirs	3 23
From incidental sources	201 75
From interest on Treasury loans	111 06
From Treasury loans refunded	18,493 94
From sale of mortgaged lands	6,932 83
From Treasury notes issued for Internal Improvements	1,289,000 00
The receipts and credits in college branch of the Loan Office Department have been:	

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[2] The last item, the stationery account, as well as the list of borrowers from the College and Saline funds, has been omitted here.

From Commissioners of reserve township in Monroe county	1,710 03	
From Commissioners of reserve township in Gibson county	800 00	
From refunded loans	2,190 00	
From interest on loans	4,212 75	
		8,912 78

The amount paid into the Treasury of Saline Fund, appertaining to the loan office, has been:

From Commissioners of Saline lands in Orange county	1,598 59	
From Commissioners of Saline lands in Monroe county	166 40	
From Commissioners of Saline lands in Washington county	212 10	
From interest on loans	2,394 32	
		4,371 41
		$1,694,158 13

Expenditures.

The expenditures during the same period, have been:

Pay and mileage of members of the Legislature, including officers	45,052 17
Printing and stationery	12,457 81
Specific appropriations	6,251 97
Contingent expenses	671 09
Premium on wolf scalps	78 50
Pay of Probate Judges	3,765 00
Pay of Executive officers	3,850 00
Pay of Judges of Supreme and Circuit Courts	16,313 53
Pay of Circuit Prosecutors	1,725 66

Pay of Adjutant and Quarter Master Generals		125 00
Payments on account of State House		1,101 87
Payments on account of State Prison		19,651 69
Payments on account of State Library		400 00
Payments on account of Michigan road		100 00
Seat of Government		262 62
Estates refunded		130 00
Internal Improvements		1,557,409 69
Mortgaged lands		3,696 06
Revenue of 1838 refunded		1,121 80
Revenue of 1839 refunded		694 50
Militia fines distributed		21 00
The disbursements on account of the College branch of the Loan Office, have been:		
Payments on account of Indiana University, including incidental expenses of Loan Office	4,923 63	
Loans of College fund	2,335 00	
		7,258 63
Payments and Liabilities on account of Saline fund subject to the Loan Office laws, are:		
Saline fund expenses	240 45	
Loans of Saline fund	2,550 00	
		2,790 45
Balance on hand October 31st, 1840		9,229 09
		$1,694,158 13

The foregoing tables show that the payments into the Treasury during the financial year 1840, (up to the 31st October,) including Treasury notes, amounted to $1,694,158 13, and that the disbursements during the same period, have been (including also Treasury notes paid over to Fund Commissioners) $1,684,929 04, leaving a balance in the Treasury on the 1st November, 1840, of $9,229 09.

[2]

Estimate for 1841.

The means of the Treasury applicable to the ordinary expenses of the State for 1841, may be estimated as follows:

Balance in the Treasury this day, October, 31st 1840	9,229 09	
Revenue of 1840 from poll tax	50,000 00	
Revenue from two-thirds of the property tax, that portion being set apart for this purpose[3]	100,000 00	
From outstanding Treasury loans	3,500 00	
Sale of lots in Indianapolis	2,000 00	
		164,729 09
The liabilities and expenditures for the same period, are estimated as follows, to wit:		
Unaudited and other claims which will be due at the Treasury at the close of the present quarter, Nov. 30th, 1840	14,000 00	
Salaries of Judges and Prosecutors for 1841	17,500 00	
Salaries of Executive officers	3,500 00	
Printing, stationery, and binding and distributing laws	15,000 00	

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[3] The revenue act of 1836-37, re-enacted by the 1839-40 session of the General Assembly, provided that two thirds of the state revenue derived from taxable property should go for the expenses of government and one third to the discharge of interest on state bonds issued for internal improvements. *Laws of Indiana,* 1839-40 (general), pp. 6-10.

Expenses of General Assembly, including officers, &c.	45,000 00	
Specific and contingent appropriations	6,500 00	
Probate Judges	4,000 00	
State Prison	1,600 00	
State Library	400 00	
Adjutant and Quarter Master Generals	150 00	
State House	2,000 00	
Seat of Government, including Library fund	1,760 00	
Conscientious fines to be distributed..	515 00	
Estate without heirs to be refunded	1,073 00	
Amount due Dr. John H. Sanders, for balance due him on property bought of him for Governor's residence	5,000 00	
Balance of College fund in Treasury	1,251 61	
Balance of Saline fund in Treasury..	1,960 67	
		121,210 28
		$43,518 81

This estimate, if realized, will leave a balance in the Treasury at the close of the approaching financial year, of $43,518 81.

It will be necessary to bear in mind, that the whole of the State revenue of 1840, is authorized to be received in Treasury notes.[4] If the revenue levied for the ordinary expenses of the State, shall be all, or in part, paid in that medium, the means enumerated and depended on in the foregoing estimate, will be reduced in the precise amount which may be so paid in Treasury notes. But the undersigned is of the opinion, that an amount of funds, other than Treasury notes, will be paid into the Treasury for revenue, which, with the amount the Fund Commissioners will be able to deposit to the credit of the Treasurer of State under the Joint Resolution of the 24th February last,[5] will be adequate to the discharge of all claims upon the Treasury for the ordinary expenses of the State, for the year 1841.

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[4] These notes were issued under the act of the 1839-40 session for the relief of the contractors and others engaged on the public works. *Laws of Indiana,* 1839-40 (general), pp. 17-21. It provided that the notes would be receivable for state taxes, the $5.00 notes in 1840, the $50.00 notes in 1841, and thereafter.

As this contingency will be determined in the progress of the payments of revenue by the several collectors, shortly to be made at the Treasury, the General Assembly will be advised if the anticipation here suggested, shall fail to be realized.[6]

In any event, there will be an excess of receipts (in Treasury notes or other funds) over the estimated expenses of 1841 of the above estimated balance of $43,518 81; which it may, perhaps, be advisable to appropriate to the Internal Improvement fund, more especially as it will probably be received in Treasury notes, and not available for any other purpose.

[5] *Ibid.,* 84-85. The resolution reads: "That it shall be the duty of the fund commissioners to cause to be deposited to the credit of the treasurer of State, in some safe depository in New York or Philadelphia, out of the proceeds of bank debts or other securities and means of the State, an amount equal to the probable amount of State revenue levied for ordinary expenses of the State, which may be collected and paid into the treasury in treasury notes. And the treasurer of State shall cause said fund to be transferred to the treasury to be disbursed on account of the ordinary expenses of the State for 1841."

[6] On January 4, 1841, the treasurer reported to the Assembly that almost the entire revenue had been paid in treasury notes and he would have to have funds to meet the demands of the civil list for 1841. He estimated that $30,000 would be the amount needed. He reported that the Fund Commissioners had resolved to deposit to the credit of the treasurer the State Bank dividends on the stock created by the Surplus Revenue and the interest on the loans of the same fund under charge of the Sinking Fund Commissioners, which it was estimated would produce about $44,000 by July, 1841. He also reported the Fund Commissioners thought it advisable to deposit to the credit of the treasurer the amount received as interest on canal lands which would be available during the present session of the Assembly. *House Journal,* 1840-41, pp. 256-57; *Senate Journal,* 1840-41, pp. 187-88.

The Assembly passed an act authorizing the treasurer to use as much of the interest from the canal lands up to July 1, 1841, as he needed to meet the deficit for the civil list and current expenses, not exceeding $30,000. The treasurer was also ordered to negotiate a State Bank loan by July 1 to replace the amount used of the canal land interest. *Laws of Indiana,* 1840-41 (general), p. 161. The treasurer was unable to negotiate this loan. See below, 284.

The revenue of 1839, due and payable at the Treasury since my last annual report, I am gratified to say, was promptly paid at the Treasury at the time required by law. It is highly creditable to our collecting officers and to our citizens, that, amidst the great pecuniary pressure which has for some years existed, the public revenue has reached the Treasury with a promptitude not found, perhaps, in any other community.

That portion of the revenue of 1838, which was loaned out the last year, has been principally refunded to the Treasury; but in a few cases of delinquency, it has been found necessary to expose to sale the mortgaged premises held in security for the repayment of those loans, a part of which were sold, and others on which sufficient bids were not offered, were bid in for the benefit of the State, and are now again advertised, and will be offered in January next, and no doubt is entertained but the money will be made.

The interest on loans in the various departments of the Loan Office, has for the most part, been punctually paid, but some few cases of delinquency have here also occurred, by which it has become necessary to advertise the mortgaged premises for sale, but in no case is there reason to suppose that loss to the funds will occur.

The payments on account of the State House the past year, including such incidental expenses of the last General Assembly as were not otherwise adjusted, will amount to about $1,500. A more particular account of which will be presented in my report in relation to the State House;[7] but I respectfully suggest that the care and preservation of the Capitol will be likely to be much more perfect and efficient under the superintendence of the Librarian, as he, by law, is required to keep the Library in the building, and of consequence will be there in attendance upon that duty; and as it is found by experience, that no superintendent can have such exclusive command of the House as is necessary to its proper care, while different persons are occupying the same.[8]

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[7] See treasurer's report on expenses of the State House and the Assembly's action thereon, below, 171-74.

[8] The select committee of the House, headed by Philip Mason of

3d. The Public Debt.

The public debt of Indiana amounts, at this date, both funded and unfunded, to $13,667,433. This debt has been created by the issue of State bonds and otherwise, as follows, viz:

1.	State bonds sold for account of Wabash and Erie Canal	$ 1,727,000
2.	Other Internal Improvement bonds, sold prior to the 31st October 1839, and heretofore reported to the Legislature	5,932,000
3.	Bonds entrusted to the Morris Canal and Banking Company in 1838, to be exchanged for other bonds, said to be informal, but which have been wrongfully withheld and disposed of by said Company, and which it now alledges its inability to return or account for	300,000
4.	Other bonds sold to Morris Canal and Banking Company in 1839, not before reported	190,000
5.	Bonds sold in the fall of 1839 to banks in Buffalo, New York	282,000

Fayette County, to which was referred the treasurer's report, accepted the treasurer's suggestion. It reported against the secretary of state continuing to serve as librarian. The library was kept in the State House while the secretary's office was located elsewhere. "The duties of the librarian," the report continued, "require him to have access to the Library, and during the sittings of the legislature, to be a large portion of his time in the Library. The keeping of the House [the State House] in the hands of another individual, would be the source of conflicting duties and the source of much ill-convenience." The committee then reported a bill which was passed by both houses and approved providing for a "keeper of the State House and Library." It provided for the election by the General Assembly of a state librarian for a term of three years, the librarian to serve as "keeper of the state library, state house, state house square." The act outlined the librarian's duties and the rules governing the library, and set his salary at $300 a year. Four hundred dollars were to be expended annually on the library. The librarian was also to assume the duties heretofore performed by the Agent of State for the town of Indianapolis. John Cook was elected state librarian by joint ballot of both houses on February 8. *House Journal,* 1840-41, pp. 234, 676-77; *Laws of Indiana* 1840-41 (general), pp. 114-19; Philip Mason, *A Legacy to My Children . . . Autobiography and Original Essays* (Connersville, Ind., 1868), 165.

6.	Bonds sold and delivered to Company at Madison for account of Madison and Indianapolis Rail Road Company	221,000
7.	Bonds issued to Lawrenceburgh and Indianapolis Rail Road Company	221,000
8.	Bonds issued to Bank for advance of 4th installment surplus revenue	294,000[9]
9.	Bonds issued on account of State Bank, (including Mr. Merrill's $1,000,000 loan)	2,390,000
10.	Unfunded debt due the Branches of State Bank, for advances on public works in 1839, about	692,433
11.	Treasury notes issued prior to this date	1,284,000
12.	Unpaid claims for operations the present year, on Wabash and Erie Canal	84,000
13.	Unpaid claims on public works, for operations previous to 1840, and which will be paid by further issues of treasury notes, estimated at	50,000
		$13,667,433

This table, although not precisely correct, yet very nearly exhibits the public debt of the State. It is proper to say, that the bonds in items Nos. 3, 4 and 5, in the above table, are regarded by my associate fund commissioner[10] as constituting no part of the public debt, inasmuch as the debtors have agreed to return the bonds; but as the bonds have been parted with, and their return resting on the promises of institutions and persons of very doubtful pecuniary responsibility, and in whose promises I have for the most part, no confidence, it has appeared to me entirely proper to add those items to the public debt.

This debt, as will be seen, is mostly funded for the usual period State bonds are made to run. This portion of the debt will require at the present, provision only, for the prompt payment of the interest.

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[9] In 1838 the State Bank had advanced to the state the amount expected from the Federal government as the fourth installment of the Surplus Revenue. This installment was never paid by the United States Treasury Department, and the state issued bonds to the Bank to cover this debt. See 456, below.

[10] Milton Stapp. See report of Fund Commisisoners Stapp and Palmer below, 130-42.

The unfunded debt, being a portion of that enumerated in the foregoing table, is $2,110,433, and which is due and payable as follows, viz:

Due the Branches of the State Bank for advances on the public work in 1839, now due (about)	692,433
Due to contractors on the Wabash and Erie Canal for work done the past season now due (but relying on receipts from Wabash and Erie Canal land sale)	84,000
Five dollar treasury notes due on the 20th April next	644,000
Five dollar treasury notes due on the 20th September next	45,000
Fifty dollar treasury notes due on the 20th April 1842	575,000
Fifty dollars treasury notes due on the 20th September 1842	20,000
Estimated amount of treasury notes yet to be issued in liquidation of old claims	50,000
	$2,110,433

This amount, both principal and interest, it will seem to be necessary to provide for immediately and prospectively (so as to meet the several claims at maturity) during the present session of the General Assembly, except about $250,000, which it may be expected will be paid in the redemption of treasury notes, through the collection of the revenue, and from a conditional sale of State bonds to be paid for in that medium.

The residue of this debt, which is due and shortly to become due, the amount of which, exclusive of interest, is $1,860,433, and is, for the present, without any adequate provision for its payment, or any part of it, at the time when due, upon which any reliance can be placed, except the amount of $84,000, which is dependent for payment on receipts from sales made and to be made of Wabash and Erie Canal lands, but which will be too tardy to satisfy the persons holding the claims, many of whom are very needy, and will, if no provision be made for the speedy payment of the claims, be under the necessity of making heavy sacrifices upon them.[11]

The following table will show the debts due the State for bonds sold, (or otherwise parted with) amounting altogether to $3,559,791 34, and upon which, or a portion at least, dependance has been had for the payment of this unfunded debt, but which, I feel it my duty to say, that I fully believe cannot be realized for this object, if indeed at all.

*Morris Canal and Banking Company	$2,195,769 34
Western Bank of New York	240,000 00
Pontiac Rail Road Company	90,000 00
Erie County Bank	141,573 40
Binghampton Bank	60,700 00
Bank Commerce	81,600 00
Bank of North America at Buffalo	43,000 00
Staten Island Whaling Company	60,000 00
Same, with other securities	20,000 00
E. & P. Houghwout	28,000 00
W. A. Swan	4,000 00
J. J. Cohen	55,000 00
Compromise property, (Cohens)	285,149 60
*Madison Company	55,000 00
Merchants' Exchange Bank at Buffalo	200,000 00
	$3,559,791 34

The pecuniary character and standing of most of the institutions and persons thus indebted to Indiana for her bonds sold or otherwise parted with, seem to have been alike the creation of the late visionary and frantic season of speculation, and the wreck of its subsequent disastrous explosion.

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[11] See below, report of the House ways and means committee and action of the Assembly to provide for payment of interest on the public debt and redemption of the treasury notes, 222-23n.

* The Morris Canal and Banking Company have delivered to the Fund Commissioners certificates of deposite on North American Trust and Banking Company, which, if paid, will reduce their indebtedness to about two millions of dollars, exclusive of interest. And the Madison Company have estimates and others in progress, which will probably cancel the amount charged to them in this table by the time it becomes due.

It is also greatly to be feared, that the main portion of the securities we have been able to obtain, are nominal—mere fancies —the froth gleaned from the bursted bubble.

To hazard the faith of the State by a dependance on either principal debtors or securities, in these claims, for the means to meet our engagements, would be a delusion as bitter with disappointment as it would be fatal to the honor and credit of the State. If Indiana shall ever be so fortunate as to make the whole, or a portion of this debt available, that period, is unquestionably, (except for a small portion,) many years hence. No one at all acquainted with their condition would hope to obtain even a tythe from either, if urged to immediate settlement and foreclosure.

It is proper here to remark, that others, and perhaps with better opportunities of information than the undersigned, entertain a more favorable opinion of the ultimate ability of the principal debtors, and of the character and sufficiency of the securities, but the opinions above advanced, are the deliberate convictions of my own judgment, formed upon the best information and advice I have been able to command, and I present them under a sense of public duty, for the consideration of the General Assembly.

As the bonds, which form the basis of these debts, have passed from the State without payment, and some of them under circumstances approaching to fraud, I respectfully submit, whether it will not be proper and just, and without danger or deterioration from the honor and good character of the State, to take some legal steps, by injunction or otherwise, to protect the interest of the State from the immense loss, otherwise likely to result from this unfortunate condition of so large an amount of our public securities.

It is most manifest that the resort here suggested, should only be taken upon the most full and clear conviction that the course will be sanctioned and sustained by the undoubted equity and propriety of the measure in the eyes of all enlightened and honorable men.

It may be alleged, that even admitting we have good cause for this resort, that it would be better to forbear and suffer the loss than pursue it, as the public credit would be thereby injuriously affected. In reply it might with much force and propriety be enquired, whether the most confidence and credit would be accorded to that state or individual that was lavish and profuse with obligations and promises, even to parting with them without consideration and when obtained by fraud; or to the other that should be more sparing of promises and liabilities, and resisting unfairness in obtaining them; all indicating intention to pay, and honesty of purpose in all that related to the pledges granted.

It is not the purpose of the undersigned, to attach blame to any person, but it seems but right and proper that our true position should be clearly and fully presented, inasmuch as reliance upon any false hopes or expectations, in regard to the means necessary to preserve the public faith, will inevitably sink us into greater and more serious difficulties.

It appears important then, under this view of the matter, that withdrawing all dependence, for the present at least, upon these debts, other provision should be made, without delay, for the prompt discharge of such of the unfunded debt, before enumerated, as a prudent foresight, would, at this time, seem to require.

The resort of issuing Treasury Notes, on many accounts, and particularly the injurious effects upon the credit of the State by its paper being hawked about in small amounts and at a discount, is highly objectionable and should if possible be avoided.

The Interest on the Public Debt.

The amount required to pay the interest on the entire debt of Indiana for the year 1841, will be	$683,371 65
To which add a deficit in the means to pay the interest for 1840, which it will be necessary to provide for	40,000 00
	723,371 65

The means which are already provided to meet this sum in part, are:		
1st. Amount to be paid by State Bank on $1,390,000 stock actually invested by the State in the Bank	69,000 00	
2nd. Interest and dividends on 3rd and 4th instalment of Surplus Revenue	48,000 00	
3rd. Interest on Lawrenceburgh and Indianapolis Rail Road Mortgages	11,000 00	
4th. Interest on Canal Lands	22,000 00	
5th. Canal tolls	5,000 00	
6th. One third of the Revenue of 1840 arising from property tax estimated at	40,000 00	
		$195,000 00
		$528,371 65

Showing the amount of $528,371 65 to be provided to meet the interest on our public debt for 1841, over and above the other means now provided, and above enumerated.

It may be here remarked that some of the debtors to the State have promised to pay the interest on the bonds for which they are indebted, but as similar promises were heretofore made without any performance, I have not thought proper to place those promises among the means to be relied upon.

The honor and credit of the State—her character and all that is dear to Indiana, require and demand that undoubted provision should be made to meet this sacred obligation, and that it shall not be temporary, but permanent.

The undersigned, on the 30th of June last, signed at this place, 501 Indiana sterling 5 per cent. bonds, of two hundred and twenty-five pounds each, dated on the 1st July, 1840; 500 of which were numbered from 1,901 to 2,400 inclusive. The other not numbered.

I also signed, in New-York, on the 1st day of September last, 505 Indiana sterling 5 per cent. bonds, dated on the 1st day of August, 1840, for two hundred and twenty-five pounds each; none of which are numbered.

I also signed, at the same time, 304 Indiana 5 per cent. dollar bonds of $1,000 each, bearing date on the 1st July, 1840; 300 of which are numbered from 4,301 to 4,600 inclusive. The other four not numbered.[12]

These bonds were handed over to Gen. M. Stapp, the other Fund Commissioner. Of the Sterling bonds first signed, Gen. Stapp, (as I am informed by a letter from him) has forwarded to Europe to exchange for some informal bonds, $290,000. The balance of the bonds so signed as above, I am informed by the same letter from Gen. Stapp, are mostly in the vaults of the Merchants' Bank N. York.[13]

The act of last General Assembly requires the Treasurer of State to cancel all unsold bonds signed by him within the year.[14] It will be obvious that these bonds are not now, and cannot for a short time yet to come, be cancelled, but as the unsold ones will be brought out by Gen. Stapp, on his return from New-York, it will be practicable to cancel them within the year as directed by law. The bonds signed are duly registered in this office.

All of which is respectfully submitted.

N. B. Palmer, Treasurer of State

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[12] By act approved February 24, 1840, it was provided that the Fund Commissioners should not dispose of any bond, bill, or other evidence of debt of the state until it was signed by the treasurer of state. The treasurer was ordered to keep a register of the bonds he signed, and all such bonds not disposed of within a year were to be returned to the treasurer to be canceled. The treasurer was also ordered to report to the Assembly on the number of bonds he signed and the number that he canceled. *Laws of Indiana,* 1839-40 (general), p. 52.

[13] See report of Fund Commissioners, below, 131-33.

[14] See note 12 above.

Appendix

Statement A.

College Fund.

Report of the operation of the College Fund, from the 1st November, 1839, to 31st October, 1840.

Receipts.

Amount received from William Alexander, late Commissioner of reserved township in Monroe county	$1,291	00
Amount received from John M. Berry, Commissioner of reserved township in Monroe county	419	03
Amount received from James Smith, Commissioner of reserved township in Gibson county	800	00
From refunded loans	2,190	00
From interest	4,212	75
	$8,912	78

Contra.

Amount over loaned in 1839	402	54
Amount of loans	2,335	00
State University, including incidental expenses	4,923	63
Cash on hand	1,251	61
	$8,912	78

Statement B.

Saline Fund.

Report of the operations of the Saline Fund from the 1st November, 1839, to the 31st October, 1840.

Receipts.

Cash on hand, November 1st, 1839	379	71
Amount received from Andrew Wilson, Commissioner of Saline lands in Orange County	1,598	59
Amount received from Henry Young, Commissioner of Saline lands in Washington county	212	10

Amount received from Milton M'Phetridge, Commissioner of Saline lands in Monroe county	166	40
Interest on loans	2,394	32
	$4,751	12

Contra.

Amount of loans	2,550	00
Saline Fund expenses	240	45
Cash on hand	1,960	67
	$4,751	12

Statement C.

Congressional Township Fund.

Report of the operations of the Congressional Township Fund from the 1st November, 1839, to the 31st October, 1840.

Receipts.

Cash on hand at last report	121	14
Loans refunded	200	00
Interest on hand	120	00
	$441	14

Contra.

Amount paid Trustees in Ripley county	68	82
Amount paid Trustees in Green county	70	98
Incidental expenses	19	64
Cash on hand	282	60
	$441	14

Statement D.

State Bank School Fund.

Report of the operations of the State Bank School Fund from the 1st November, 1839, to the 31st October, 1840.

Receipts.

Amount of interest received on loans	509 50
Loans refunded	200 00
	$709 50

Contra.

Amount over loaned in 1839	6 37
Cash on hand	703 13
	$709 50

. . . .

Contingent Expenses from 31st Oct. 1839, to 1st November 1840.

W. J. & J. F. Brown, for Stationary	1 75
Henry Buckhart, repair on Governor's Circle	5 25
Wilson Parker, repairs on Governor's Mansion	1 50
W. J. Brown, affixing seal to certificates for Auditor	5 00
Chas. Hausing, work on Governor's Circle	26 50
Jacob Miller, removing furniture of Secretary's office	3 00
Tucker & Weaver, furniture for Secretary's office	25 00
Isaiah Parker, work on Governor's Circle	5 00
John Cain, for Postage	110 95
Tate & Son, storage of public arms	16 20
John Cain for Postage	86 78
Branham's & Co., transportation of State Papers	14 52
Bently Allee repairs on Governor's Circle	13 27
John Cain for postage	94 14
C. Williams, repairing State Seal	5 00
George Durham, repairs on Governor's Mansion	2 50
John Cain, for postage	197 38
D. George, for examining accounts of State Printers	9 00
C. Williams, furniture for Auditor's office	15 62
Branhams & Co. transportation of State Papers	8 67
W. P. Todd, repairs on Governor's Mansion	12 50
H. F. Feeny, storage of public arms	5 00
W. F. Slater, binding Public Documents	2 00
A. S. Kunts, transportation of State Papers	4 56

Auditor of State: Annual Report[1]

AUDITOR'S OFFICE, NOV. 15, 1840

TO THE HONORABLE SPEAKER OF THE HOUSE OF REPRESENTATIVES, AND PRESIDENT OF THE SENATE:

GENTLEMEN—Herewith I have the honor, on obedience to "an Act concerning the Auditor of Public Accounts and Treasurer of State," to submit my annual report for the financial year 1840, which you will please lay before the respective branches of the General Assembly over which you preside.

Document No. 1,[2] is an exhibit of the amount of receipts and expenditures from the 31st of October, 1839, to the 31st of October, 1840. The receipts, it will be seen, amount to $1,694,158 13, and the expenditures to $1,684,936 90, showing a balance in the treasury on the 31st of October, 1840, (provided all warrants audited to that date are paid) the sum of $9,221 23.

Document No. 2, is a statement in tabular form, of the assessments of revenue in each county for 1840. This shows the number of polls, quantity of land, value of lands and improvements, value of town lots, corporation stock, personal property, and the total valuation of all taxables; also the amount assessed thereon at the rate of 15 cents on the one hundred dollars value thereof, for 1840. To this is added, with a view to comparison, columns showing the assessment for 1839, and giving the *increase* or *decrease,* as the case may be, of the value of the taxable property in each county, from 1839 to 1840; and a like comparison as regards the number of taxable polls for the same period. It will be seen by this table, that the number of polls assessed in the State for 1840, is 100,166, leaving the counties of Benton, Dubois, and Monroe out, from which no returns have, as yet been received. The number of polls assessed for 1839, is 94,197, showing an increase 5,969 taxable polls in 1840. Some of the counties show a decrease of polls since 1839, but this is accounted for by the removal of the laborers on the public works, in those counties, previous to the assessment for 1840 being made.

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[1] *Documentary Journal,* 1840-41, House Doc. No. 3.

[2] The twenty documents and statements described herein are printed in full in the *Documentary Journal,* but are not reproduced here.

The number of acres of land assessed for 1840 is 8,273,120, valued at $58,341,992. The number of acres assessed in 1839 is 7,475,320, valued at $65,954,879, showing a decrease in the value of the taxable lands of the State, from May 1839 to May 1840, of $14,650,064, and this too with the increase of 797,800 acres, taxable for the first time in 1840. Had the lands sustained their valuation of 1839, instead of $58,343,992, their present valuation, they would have amounted to $72,994,056.

The valuation of all town lots amounts to 12,503,519 dollars.—That of 1839 was 14,676,372 dollars, showing a decrease of value, notwithstanding the buildings erected in 1840, of 2,172,853 dollars.

The valuation of corporation stock amounts to 1,168,342 dollars; last year 869,630, showing an increase, in this item, of 298,712.

The valuation of all personal property for 1840 amounts to 19,740,166 dollars, that of 1839 is 23,687,534 dollars, showing a decrease in the value of personal property of 3,947,368.

The total value of all taxable property, both real and personal, for 1840, is 91,756,018 dollars. The total value last year 107,037,715 dollars; decrease since 1839 15,281,696 dollars, to which should be added, in order to show the actual *decrease* in value of taxable property from 1839 to 1840, the valuation of the additional lands taxable for the first time in 1840, being 797,800 acres at $7 05 per acre, amounting to 5,624,490 dollars, which, added to the 15,281,696 dollars, make 20,906,186 dollars, which is near the true amount of decrease of valuation of the property of the State from May 1839 to May 1840, which, to each tax-payer, is an average loss of $208 75 in the value of property from 1839 to 1840.

The total amount of State revenue assessed on lands, property and polls for 1840 amounts to $192,786 97.

The assessments for 1839 amounted to $363,688 08, showing a decrease in the assessments this year of $170,901 11.

Statement No. 3, exhibits the number of acres of land assessed in each county, the valuation thereof and the average price per acre for the years 1839 and '40. The object of this table is more particularly to show that counties similarly situated as to soil, advantage of public works or otherwise, vary widely in their valuation, and that no fixed or certain rule obtains as to the valuation of lands in most of the counties. The practice is generally to ask the owner as to the value of his farm, instead of the assessor fixing it himself from actual inspection, as the law requires. If this radical defect is ever remedied it can only be done by a State Board of equalization. This subject has been repeatedly brought to the notice of the General Assembly, and is again noticed with a hope that it will receive that attention which its importance merits.

Statement No. 4, exhibits the total valuation of all taxable property, the amount assessed for internal improvements and the average amount assessed to each tax payer, in each county, for the year 1840, for internal improvement purposes alone. By this table it will be seen, that the value of all taxable property for 1840 is 91,756,019 dollars. *One third* of this amount is set apart for internal improvement purposes, making the sum of 45,878 as the amount assessed for this object alone.

The number of polls taxable for 1840 is 100,166, and the average amount paid by each tax payer in the State, for internal improvement purposes this year is 36⅗ cents. Last year the amount paid was $2 69½ to each poll. From the amount assessed there should be deducted about 20 per cent., the probable amount of expenses of collection, delinquencies, &c., which, deducted from 45,878 dollars, will leave the sum of $36,722 40 as the probable amount to be realized for internal improvement purposes for 1840.

Statement No. 5, exhibits the estimated quantity of land in the State to which the Indian title is extinguished, (except that part recently purchased in the Great Miami Reserve) the quantity sold and the quantity remaining unsold, up to the 30th September 1839, as per report of Commissioner of General Land Office; also the quantity assessed for taxation in 1840, the quantity which *should* have been taxed for 1840, the quantity neglected or omitted to be taxed for 1840, the value of unassessed though taxable lands in 1840 at the average price per acre of $7 05, and also the amount of taxes lost on lands alone by reason of negligence of assessors or by reason of the present inefficient revenue laws.

By this table it will be seen that the estimated quantity of land in the State to which the Indian title is extinguished, (Miami Reserve excepted) is 20,457,394 acres. The quantity of land sold up to the 30th September 1839, is 15,061,620 acres. The quantity remaining unsold is 5,395,774 acres. The quantity of land taxed in 1840 is 8,273,120. The quantity of land taxable in 1840 is 10,509,026 acres. The quantity of land therefore which escaped taxation is 2,235,906 acres. The value of these lands at the average price per acre throughout the State for this year is $15,763,137, and the loss in *taxes* for this year at the low rate of 15 cents on the $100, amounts to $23,644. I know of no way of bringing this subject more forcibly to the notice of the General Assembly than the one I have adopted. I have repeated it for several years past, with a hope that it would receive that attention which its importance so imperiously demands. Nothing short of a revision of the present revenue law, with the introduction of many new features will render it efficient, and ensure the collection of taxes on all property.[3]

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[3] See also Governor Wallace's and Governor Bigger's remarks concerning assessing of taxes and revenue in *Messages and Papers of David Wallace,* 458-60, and below, 119.

Early in the session of the legislature the House requested the auditor to provide it with a synopsis of a bill "for a more equitable, and cheaper mode of assessing and collecting the revenue." *House Journal,* 1840-41, p. 81. The report of the auditor in reply to the request is printed in the *Documentary Journal,* House Doc. No. 15, along with drafts of bills "to value the property of the State," "prescribing the duties of County Auditor," "for the election of County Assessor," "prescribing the duties of County Treasurers," "pointing out the mode of levying taxes," "to tax the individual stock in the several branches of the State Bank of Indiana," and "levying a tax for State and Internal Improvement Purposes." The ways and means committee after consideration reported the seven bills favorably, describing them as "constituting together a new revenue system for the state." *House Journal,* 1840-41, p. 306. The Assembly, after considerable action, passed all seven bills with some modification. *Laws of Indiana,* 1840-41 (general), pp. 1-48.

The first-mentioned bill provided for county boards of equalization, comprising the board doing county business, county auditor, and county

Statement No. 6, is an exhibit of the amount which has been realized by taxation for internal improvements during the years 1837, '38, '39 and '40. Also, the average amount paid by each tax-payer, during these years, for internal improvement purposes alone.

By this it will be seen, that in 1837 there was raised by taxation for internal improvement purposes 40,000 dollars, there having been that year 82,921 polls, makes the average to each 48¼ cents. In 1838 there was raised 38,000 dollars, which is an average to each tax-payer of 42½ cents.

In 1839 the number of taxable polls was 94,197, and the amount realized from taxation 263,116 dollars. The average amount paid by each tax-payer for internal improvements was $2 76.

The probable amount to be realized by taxation for 1840 for internal improvement purposes is 36,722 dollars, making the average amount to each tax-payer 36⅗ cents.

Also, it will be seen by this table, that the average amount paid by each tax-payer from the commencement of the internal improvement system to and including 1840 is $1 03⅗ cents for internal improvements, and the whole amount paid for internal improvements is 377,838 dollars. This, however, is exclusive of the expenses of issuing treasury notes and the amount paid in treasury notes to contractors on public works, which will be found in Table No. 1.

Statement No. 7, is an exhibit of the whole cost of the State

assessor, to hear complaints, equalize assessments, and make re-evaluation of all real and personal property within their respective counties. It also provided for a State Board of Equalization to be elected by a joint resolution of both houses made up of one person from each judicial circuit and the state auditor, which should meet the fourth Monday in January, 1842, with "power to equalize the valuation of real estate in the several counties throughout the State" by adding or deducting from the valuation made by the appraisers and county boards of equalization, provided only that the board should not lessen the aggregate valuation of the state. The persons chosen for the state board are given below, 392n. The new revenue system caused a storm of protest, particularly the creation of the State Equalization Board, and the next legislature passed an act abolishing the board. See below, 263-66n.

Prison, the amount paid for transportation of convicts, for agents and visiters, and the amount received for rents from its first erection to 31st October 1840.

By this it will be seen that the whole cost of every kind amounts to 47,209 dollars 51 cents, and the whole amount of receipts 21,725 dollars, leaving a balance against the prison, including outstanding debts, of 27,793 dollars 50 cents.

Internal Improvements

In addition to the foregoing, the Auditor herewith submits the following Statements in relation to the receipts and expenditures of the public works from their commencement to the 30th November 1839, (the date of the last report of the Board of Internal Improvements to this office,) which Statements are numbered from 8 to 20.

Statement No. 8, is an exhibit of the total cost of the Wabash and Erie canal, and the amount received from that source. The total cost of this work, as it appears from this table, is 1,747,106 dollars 78 cents. The total of receipts amount to 306,261 dollars 44 cents.

The total number of acres of Wabash and Erie Canal Lands sold is 261,247.68 acres. The amount for which they sold is 552,655 dollars 64 cents. The balance due and bearing six per cent. interest is 370,384 dollars 7 cents.

The total amount of interest received is 112,943 dollars 90 cents, and the total amount received from lands 181,571 dollars 57 cents, which, added together, make the total amount received from Canal Lands 294,515 dollars 47 cents. The average price at which Canal Lands have sold is $2 11⅝ per acre.

Statement No. 9, is an exhibit of the cost of the Wabash canal. By this it will be seen that the whole cost amounts to 292,559 dollars 57 cents.

Statement No. 10, is an exhibit of the whole cost of the Eel river Cross Cut Canal. This work, it will appear, has cost the sum of 305,061 dollars 79 cents.

Statement No. 11, is an exhibit of the whole cost of the White

Water canal. By which it appears that it has cost 831,321 dollars 67 cents.

Statement No. 12, is an exhibit of the whole cost of the Erie and Michigan canal, by which it appears that this work has cost 57,301 dollars 86 cents.

Statement No. 13, is an exhibit of the whole cost of the Madison and Indianapolis Rail Road, by which it appears to have cost 1,114,416 dollars 50 cents.

Statement No. 14, is an exhibit of the whole cost of the Lafayette and Indianapolis M'Adamized road. Its cost, it will be seen, is 44,319 dollars 80 cents.

Statement No. 15, is an exhibit of the whole cost of the Jeffersonville and Crawfordsville M'Adamized road. The whole cost, it will be seen, is 270,196 dollars 68 cents.

Statement No. 16, is an exhibit of the whole cost of the New Albany and Vincennes M'Adamized road. Its cost is 441,163 dollars 4 cents.

Statement No. 17, is an exhibit of the whole cost of the improvements at the Grand Rapids. The amount expended is 8,902 dollars 90 cents.

Statement No. 18, is an exhibit of the whole cost of the Central Canal. By this it appears that the Northern and Indianapolis Division (extending from the Wabash and Erie Canal to Martinsville) has cost 667,400 dollars 96 cents, and the Southern Division (from Martinsville to Evansville) has cost 851,669 dollars 56 cents.[4]

The whole cost of both divisions 1,493,980 dollars 81 cents.

Statement No. 19, is an exhibit of the amount paid for general contingencies properly chargeable to the whole system and not to any particular work. By this it appears that the amount thus expended is 32,472 dollars 45 cents.

Statement No. 20, is a recapitulation of the whole cost of all the public works up to 30th November 1839. By this it will be seen, that the whole cost, including the Wabash and Erie canal, is 6,638,803 dollars 55 cents [$6,202,200.02] and that the amount of receipts (exclusive of the tolls of the White Water Canal and Madison and Indianapolis Rail Road and rents for water power, no account of which has been furnished this office) is 306,261 dollars 44 cents, per Statement No. 8.

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[4] These figures apparently are wrong. Statement 18 in the *Documentary Journal* gives the whole cost of the Southern Division as $415,566.03 and the Northern as $642,311.25, totaling $1,057,377.28.

It is respectfully suggested, that all receipts and expenditures, on account of our public works, should be made to pass through the books of the Fund Commissioners and the books of the Auditor and Treasurer. Such is not the present organization. The plan is not only feasible, but would contribute much to simplify the reports of all the officers.[5]

All of which is respectfully submitted.

MORRIS MORRIS, A. P. A.

Charles H. Test to the People of Wayne County[1]

[November 21, 1840]

TO THE PEOPLE OF WAYNE COUNTY.

On Thursday I leave home for Indianapolis, where I expect to remain during the sitting of the Legislature. Your kind partiality has constituted me one of your Senators during the coming session, and while I acknowledge with a deep feeling of gratitude the honor conferred upon me, I am constrained to confess that I have never known, in the history of our state, a time presenting so gloomy a prospect of serving you to advantage. The state sinking under the weight of an immense debt—her public works at a dead halt—her credit down, and the people themselves by the pressure of the time groaning under the burthen of their taxes, it is indeed difficult to say what can or ought to be done.

Some, I am aware, are so ultra in their opposition to our public works, as to rashly propose a repudiation of our state debt. To this I can never consent. I would not, willingly, contribute to do any

[5] The Assembly complied. *Laws of Indiana,* 1840-41 (general), pp. 210-13.

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[1] Indianapolis *Indiana Journal,* November 28, 1840, from the Richmond *Palladium.* Test had been elected to the Indiana Senate to fill out the term of Nathan Smith. He was a Whig and was defeated for re-election in 1841. Three other letters written by Test to the Editor of the *Palladium* on January 19 and 21, and February 9, 1841, are printed below.

thing to bring upon us such deep condemnation and disgrace, as must necessarily follow a refusal to pay the interest on our public debt. The faith of the state has been pledged to honest creditors, who have advanced to her their *millions*, and her *honor* "which is above all price," forbids that she should not be punctual in her engagements. Money is nothing compared with the loss of *honor,* either to individuals or states. Hitherto, on more occasions than one, we have been willing to hazzard millions of public treasure, —nay, to sacrifice our blood and lives to save the *honor* of our country. Even the last Legislature declared this state ready to stand by Maine in her contest with Great Britain about a few pine logs; and shall the character and credit of our own beloved state be surrendered, as the equivalent of a mere pecuniary consideration? Surely not. In the language of another, "The first state that shall be false to its engagements shall be tatooed—stricken from the roll. Her fallen star should be blotted from the nation's flag as no longer worthy to share its glories; her very soil would be deemed pestilential, and men would go round its borders to shun its infection." If the attempt to sustain the honor of the state should prostrate me, I am ready for the sacrifice. I could not wish, politically, to survive the honor of my state.

But while on the one hand, I am thus opposed to repudiating our public debt; so on the other, I am not in favor of carrying on the entire system of Internal Improvements as contemplated by the act of 1836. It was a system badly devised, and improvidentially prosecuted. To complete it would be only to involve us deeper in debt, without any corresponding benefit. Its warmest advocates now yield its folly, and all admit the utter impracticality of carrying it out. The interest of the state demands that some one or two of the works nearest completed, and which would likely produce the greatest profit, should be finished. The annual interest on our internal improvement loan is a little rising of four hundred thousand dollars, the most of which has to be paid by directly taxing the people. To pay this interest will require you to be taxed yearly about forty cents on the hundred dollars of your property. (The whole property of the state being estimated at about one hundred millions.) To cease all further operations then upon our public works, would leave us no other alternative but to repudiate our debt, or pay this immense tax every year for all time to come. I am not inclined to embrace either horn of the dilemma. To complete some one or two of the works as before stated, would ultimately diminish the amount of your burthens, and although the revenue arising from them may never pay the whole amount of your interest, yet if it should so reduce it as to require only one half the amount for which you are now liable, surely a great object would be attained.

To devise the means however to bring about this object, is at present the great dissideratum. It will not do to sell our bonds at a sacrifice—to hawk them about the streets of some of the large cities, and take for them just what we can get. Something must be done to revive the sinking credit of the State. Our bonds can again be sold on as good terms as they ever were, if we can only give to the purchaser some guarantee that the interest will be punctually paid.—In view of this object, how will it do to increase the capital stock of our State Bank, creating additional branches, and pledging the proceeds of the fund (after paying the interest on the sum borrowed for that purpose) towards paying the interest on future loans to be appropriated to our works of internal improvements? Our banking capital is not equal to the trade, & business of the country. The resources, present & prospective, of Indiana, with her public spirit, and the energy and enterprize of the people require that it should be increased. Would not a fund so pledged afford to the capitalist some safe reliance for the prompt payment of his interest. I have not time, however, at present, to dwell upon this or any other proposition. It is only one suggestion out of a thousand that may be made during the session. Among so many embarrassments I can readily realize the difficulty of satisfying you all. The most that I shall promise will be to satisfy my own conscience, by representing the general interest of the country, in the best manner within my power. In the mean time I take this opportunity of saying to my constituents that I shall be happy to hear from as many of them during the winter as may think proper to address me on the various subjects of Legislation.

. . .

Before closing I feel it my duty to suggest the absolute necessity there will be of increasing your taxes for the coming year. Nothing efficient can be done without it—and we shall have to bear with grace, that which circumstances make imperatively necessary. Nothing is more disagreeable than to become instrumental in increasing your burthens which at this time are almost insupportable, and gladly would I throw aside the bitter cup if it were possible —but the interest of the state and her solemn engagements forbid it. . . .

In the midst of these gloomy prospects, however, there are some things to cheer us. While we may have great amounts to pay, we have the gratifying hope that the means to discharge them will be more within our power. The dark night that has so long hung over the monetary affairs of the country, will in all probability soon be dispelled. The day indeed dawns, and the murky gloom, like the mists of the morning will be scattered by the rays of a vivifying sun. The people are about to drive the *Experimenters* on our currency from their strong holds. They have spoken in a voice of thunder, their disapprobation of their wild scheming which has bankrupted the Government, and brought the country to the verge of ruin; whose policy if carried out would have made our state debt, now about twelve millions, equal to thirty.

Sufficient however has hitherto been said upon these subjects. I have no wish to cicatrice the old wounds. Let old party aspersions slumber among the things that were, but are no longer.

Respectfully, your obedient servant,

CHARLES H. TEST[2]

CENTREVILLE, IA. Nov. 21st, 1840.

[2] After reading this letter, Nathaniel Lewis, one of Test's constituents from Richmond, wrote as follows: ". . . I see no necesity of pineing away about our public debt so long as we have such a fine soile and pleasant climate to labour in for our countries glory. by the by we should be only alarmed for the increase of our public debt in any way or shape whatever because if we cannot use the funds already to our advantage that we have borrowed it would be bad policy to go in debt for any more hence I am decidedly agains selling our state bonds for one farthing less than par as it seems like runing our credit threadbare at home & abroad and finally to land us in the slough of dispondency where the Turkey buzzards of England and the ravens of America would delight to pick our bones. Yes sir I have the pleasure of looking at them

sitting in the shade now sharpening their bills to lance the last drop of blood out of our poor vaines when ever they can get the chance . . . ." Lewis to Test, December 14, 1840, in Test Papers, Lilly Library, Indiana University, Bloomington, Indiana.

Lewis wrote again on December 28, 1840, in reply to a personal letter which he had received from Test: ". . . I have not deliberated on the plan of redeeming the state from its present deplorable condition enoughf to give my decided opinion in relation to that point yet a frank interchange of Ideas on any subject is the way to arive at the best measures, & thus effect the great object of her redemption— The plan of a republican goverment should be in direct oposition to that of monarchy hence the more generally power can be placed in the people the more republican we are in our goverment— You are right in your opinion about divorceing the State Bank from the inflated sistem of internal improvements, in as much as it is truly a good measure for the financiering operations of the state— And your opinion too that plyes in relation to the State Bank redeeming the balance of the Treasury notes is also at par with me, in as much as it is not willing to redeem its own at all times the bills of which it is allowed to ishue two thirds are no more worthy of our confidence than the Treasury notes, for they are ishued on the credit of the state and the stockholders of any Bank are not entitled to any more credit than the same number of men possesed with equal moral honesty according to the doctrine of equal rights— the treasury bills ishued on the credit of the state has guaranteed for their redemption every feet of real Estate & personal too that is within the limits of the state subject to a direct tax But in relation to paying our officers if they object to receveing treasury bills ishued indirectly on their own credit they will have to lower their fees & take it in Corn Wheat Oats or some other commodity produced by the Farmer of the soile, or the mechanick of arts—to whom we look to as the bone and sinew of our beloved country to decide the public will on any great measure whatever. I am sanguinely in favour of ishueing more of them for to go ahead with some of our internal improvements that are nearly finished and will pay the largest per cent on the amount expended for construction and those that will not pay 20 per cen[t] per anum beside legal intrust on the whole amt. of construction, I am in favour of dismising entirely from the list of internal improvements, because they carry no clear evidence of such a title in my feble judgemt and of course I go in to disfranchise all such clouds without rain to refresh the soile of domestic economy—I am sanguine if we do not exert ourselves that our prosperity will sink beneath the waves of time, and we shall be eclipsed by the bold enterprising spirit [of] our sister states. . . . Therefore I think that the noblest style of carrying forward the goverment of the State, would be to bring every thing down to pointed decision and economy—and then stand up for such measures & put them in to practice, that will speak with inflexible tones of honor to future generations by carrying in themselves the olive leaf of wisdom in adopting the best means to accomplish the nobles end." David Hoover, another of Test's constituents, wrote on December 29, 1840, and January 12, 1841, regarding legislative measures. These letters are also in the Test Papers.

State Board of Internal Improvement: Annual Report[1]

OFFICE OF BOARD INT. IMP.
INDIANAPOLIS, Nov. 30, 1840

TO THE GENERAL ASSEMBLY OF THE STATE OF INDIANA.

The State Board of Internal Improvement, as constituted by the act of the last session dissolving the one previously organized,[2] have the honor of submitting the fifth annual report.

N. Noble, the President of the former Board, and Jesse L. Williams, Chief Engineer, the officers named in the act alluded to as the members of the new Board, met at the Seat of Government on the 16th day of March, to enter upon the new duties prescribed for them, and to perform generally, the other duties imposed upon the State Board.

In looking through the provisions of the new act to ascertain what incipient steps were required of them, some surprise was excited to find it exacted nothing in the shape of an official oath, nor the usual official bonds with securities for the protection of the public. This unusual omission was no doubt caused by haste or oversight in legislation, but no matter from what cause, the omission as regards the bond, it was supposed, could not be supplied and carry a binding influence upon securities, and therefore, none were executed. The deficiency, as relates to the oath of office, was supplied by the administration of the oath required by the 1st sec. of the 11th Art. of the State Constitution, by the Hon. Isaac Blackford. After these preliminary steps, N. Noble was appointed President, and the Board proceeded to business.[3]

Jesse L. Williams was appointed Acting Commissioner for the Wabash and Erie Canal, the Erie and Michigan Canal, and to him was assigned, moreover, all duties relating to the sales, and collections, principal and interest, from the canal lands, from those disposed of at the former, and the approaching sales.

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[1] *Documentary Journal,* 1840-41, Senate Doc. No. 1.

[2] *Laws of Indiana,* 1839-40 (general), pp. 51-52.

[3] The oversight was corrected by an act approved February 15, 1841, requiring members of the Board of Internal Improvement to give bond in the sum of $20,000, superintendents appointed on any of the public works to give bond in the sum of $2,000, and the clerk in the canal land office to give bond in the sum of $10,000. The mode of payments by the board on the public works was also outlined. *Laws of Indiana,* 1840-41 (general), pp. 201-2.

N. Noble was appointed the Acting Commissioner on the Whitewater Canal, the Southern and Northern Divisions of the Central Canal, the Cross-cut Canal, the Wabash Canal below Lafayette, the Madison and Indianapolis Rail Road, the Jeffersonville and Crawfordsville Road north of Greencastle and south of Salem, the Indianapolis and Lafayette Road north of Crawfordsville, the New Albany and Vincennes Road, and the Improvement at the Rapids of the Wabash.

The discharge, by the former Board, of the several corps of Engineers, except the four Residents, whose services could not be dispensed with until the settlements were closed on the lines, left but little for the new Board to do, in complying with that injunction of the act. The officers retained, were then employed until the first of May in making the settlements required by law, and in reporting such property and expenditures as would form the basis of the damages to be made to contractors; after which they left the service.

After making all the reductions at all compatible with the public interests, the following officers and agents were appointed with the annual salaries named, which cover all travelling and other expenses:

Stearns Fisher, Res. Eng'r W. & Erie Canal at	$1200 00
His two assistants each	800 00
J. Darrow, Sup't Repairs	900 00
H. C. Moore, Sup't Whitewater Canal	1000 00
T. A. Morris, Sup't Rail Road & N. Div. Cent. Can'l	1000 00
Sam'l Thomas, Sup't Rail Road Depot	700 00

Although active operations had entirely ceased on most of the lines; the Board, nevertheless, in the long and tedious settlement of all accounts between the State and contractors, and between them and their creditors—in the selection, registering and sale of the new canal lands, and the collection of interest on former sales—in appointing arbitrators for the many boards organized to assess damages to contractors, and damages to lands—in looking to the appeal cases pending in the circuit courts—in superintending the unfinished jobs on several of the suspended lines, and in the prosecution of the Wabash and Erie Canal; have found their duties more arduous—requiring more travelling than in any former year. To all these important and delicate trusts, requiring attention at different points at the same time, they could not give their personal oversight, and had, necessarily, to commit some of them to the discretion and care of other agents.

For all that has been done relating to the payments made to contractors, and to the relinquishment of their work on the Erie and Michigan Canal, the Board beg permission to refer the Legislature to the report of Mr. Williams to the Board. From his report may also be ascertained the progress and condition of the Wabash and Erie Canal within our State; and to it they also refer for every information as respects the late selection and sale of the new canal lands, as well as to the payments made in principal and interest upon former sales.[4]

From the report of Mr. Williams, and the papers accompanying it, the Legislature will perceive, no doubt with deep regret, that while the Wabash and Erie Canal is now fully ready for navigation from the State line to Lafayette, 140 miles, an outlet to lake Erie by the completion of the Ohio Division, cannot be anticipated earlier than the spring of 1842. In glancing over the legislation of that State, so far as it has come under our notice, there appears to have been an intention to progress with their portion of the work simultaneously, or nearly so, with the Indiana Division. The commencement of the canal was authorized sufficiently early, considering its comparative length, and liberal appropriations have been made from time to time. In the Executive communications also for the last six years, as well as in the reports of the Board of Public Works, sentiments favorable to its prosecution have, uniformly, been expressed. Still there remains at this late period a large proportion of the work to be performed, probably as much as one-third of the original amount. Notwithstanding the favorable policy thus expressed by the highest authorities of the State, yet it must be apparent that the work has not progressed with that energy which has been customary, especially on works of so much general importance. It seems to be the concurrent testimony of all observing travellers who have passed over this route, that the *practical effort* for the actual construction of the canal, has not been proportioned to the importance and extent of the commercial interests depending upon this effort. That the State of Ohio with her great resources should require five years of uninterrupted operation, to construct 80 miles of canal, is calculated to excite surprise, even after making due allowance for the unhealthy location of the route. Whatever may have been the cause of the delay (which is not for us to inquire,) the State of Ohio now finds herself seriously in the way of the necessary commercial intercourse between different sections of the Union; presenting within her own territory, the only remaining obstruction in the great chain of water communication between the Wabash valley and the city of New York, to which the country has so long looked. And this state of things may appear the more surprising when it is recollected that Ohio, not less than Indiana, has been in full possession since the year 1834 of a donation of land for this canal, sufficient in value to cover more than half the cost, granted from the common property of the United States for the express purpose of forwarding the opening of this channel, and from the avails of which it would seem that the work might have progressed even through unpropitious times.

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[4] Williams' detailed report on the Wabash and Erie Canal which is printed in the *Documentary Journal* as part of this Senate document has not been reprinted here. He discusses the canal lands, the present condition of the canal, and shows expenditures on the section east of the Tippecanoe from March 1 to October 31, 1840, as $207,401.44; and the section west of Tippecanoe to Lafayette as $72,917.37. He reported that tolls on the canal had amounted to $3,000. He gave as the total cost of the canal from the state line to the Tippecanoe (129 miles and 59 chains), not including superintendence and damages, as $1,892,268; and from Tippecanoe to Lafayette (14 miles and 29 chains constructed) as $322,930.

The position in which the State of Ohio has suffered herself to be placed, probably without intending it, is as incompatible with her general character for enterprise and public spirit, as it is injurious and unjust towards her sister States. We look with interest to see if she will not promptly relieve herself from this position by putting forth one determined and vigorous effort, such as the case surely demands, for the immediate completion of this important thoroughfare.[5]

For the proceedings had in the adjustment and payment of the dues from the State to contractors and others, in the assessment of damages to contractors on the relinquishment of their work to the State, and for every other particular connected with his duties and with the several lines falling under his care, the Board in like manner refer to Mr. Noble's report.[6]

The work on the White Water Canal, as will be seen from his report, has not been surrendered in accordance with the terms proposed by the late act, the contractors preferring to wait until the State shall resume operations, that they may complete their jobs and enjoy the profits to be derived.[7]

The contractors on the Rail-road also refused to relinquish their work, and resumed operations in the summer. So far as the Board are in possession of the inducements and means employed in conducting this work, they are these: As will appear from the reports of the Fund Commissioners, heretofore made to the Legislature, a company at Madison purchased five per cent. bonds to the amount of the special appropriation made at the previous session for the continuation of the Rail-road.[8] That company relied, in part, upon future sales in the east, of the bonds purchased by them, to enable them to meet their payments, and did dispose of a portion of them, but after converting a small amount into currency, the demand for State stocks ceased, and the unsold bonds remained on their hands. Failing in their expected negotiations for the further sales of their bonds, the company proposed to pay the contractors part cash and part State bonds, which proposition being accepted, the contractors re-commenced their work. These proceedings being unauthorised by the Board, the superintendent made a trip along the line in July to view the condition of the work; and, from the information derived from him, the Board felt constrained to assume the control, and adopted the following order on the subject, of which notice was given in the newspapers:

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[5] The Assembly passed a joint resolution, approved February 13, 1841, requesting the Governor to enter into a correspondence with the Governor of Ohio concerning the completion of the canal in Ohio. *Laws of Indiana,* 1840-41 (local), pp. 215-16. See Governor Bigger's letter to Thomas Corwin, Governor of Ohio, below, 230-33.

[6] Noble's report is printed in the *Documentary Journal,* 1840-41, Senate Doc. No. 1, pp. 9-19, but is not reproduced here.

[7] The majority of all the contractors on the public works refused to relinquish their contracts and accept damages as provided by the act of February 15, 1840, giving relief to contractors. *Laws of Indiana,* 1839-40 (general), p. 17.

[8] Act approved February 6, 1839. *Ibid.,* 1838-39, p. 77. See *Messages and Papers of David Wallace,* 274-75n, and report of the Fund Commissioners below, 133-35n.

"The Board having under consideration the letter of M. Stapp, Esqr., Fund Commissioner, informing them that he had on hand $60,000, with the further available sum of $90,000 due from the Madison company who purchased the Rail-road bonds in October last: —Mr. Noble offered the following:

"The Legislature at the session before the last, having made a special appropriation of $400,000 for the continuation of the Rail-road not applicable elsewhere,[9] most of which is, and will be, available this fall; and having ascertained that the contractors, after refusing to suspend or relinquish their work, assembled several hundred hands during the month of July, and are going on with their old contracts without any supervision by the State, it is the opinion of the Board that it will be better to comply with their demands by sending an engineer to superintend the line, than to risk the many defects and imperfections to which the work must be liable from the want of skill or by design, in the construction of the foundations, masonry, &c. of the bridges and culverts, and which cannot be corrected hereafter, but at great loss and expense to the State, therefore.

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[9] See *Messages and Papers of David Wallace,* 166n. The 1840-41 Assembly passed, in aid of the railroad, an act approved February 5, 1841, providing for the levy of an additional county tax by the boards doing county business in Jefferson, Jennings, Bartholomew, Johnson, and Marion counties if they so desired, for five years, beginning in 1841, amounting to five cents on each $100 valuation of taxable property to be applied to its construction. It also provided that the Fund Commissioners could receive as payment on the state's suspended debt $100,000 worth of railroad iron to be used on the road between Vernon and Edinburg. *Laws of Indiana,* 1840-41 (general), p. 209. See also act providing for classification of the public works as it related to the railroad, *ibid.,* 207-8, and below, 115n.

"*Resolved,* That the late Engineer, T. A. Morris, be directed to resume his duties on the road as an assistant to the Chief Engineer, with authority to overhaul the work done since the discharge of the corps, rejecting that which is imperfect; and also to take such notes and measurements as may be necessary to avoid difficulty hereafter in the accounts with contractors; and further, that said Engineer notify the contractors that, for their pay, they must look alone to the available proceeds of the debt due the State from the Madison company for the bonds sold them last fall."

Upon a comparison being made, discrepancies will seem to exist, in some instances, between the estimated amount of debts due to contractors, named in the last annual report, and the sums reported as paid them.[10] Several causes conspire in making this difference: the retained per centage has been paid, which, with the "relative value" fixed upon the work, as authorised and directed by the late law, are the chief causes. In the general settlement which has been made, every thing has been hunted up; and claims for office rent, fuel, stationary, and other contingent items, created under a former Board, have also tended to swell the amount under the head of contingencies.

That part of the report of Mr. Williams, giving the proceeds and the application of the funds arising from the sales of canal lands in October, shows that the cash then received was insufficient to pay the demands of the contractors on the Wabash and Erie canal who were required to go on with their work, and that there is an unsatisfied balance of $86,587 47 due them and their creditors. The State having failed, from that source, to pay the contractors when they were required to proceed on their own means and credit, justice seems to claim a remuneration equal to that given to contractors and claimants on other lines—that of treasury notes—and the Board cannot well forbear to recommend it.[11]

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[10] See annual report of the Board of Internal Improvement, December, 1839, in *Messages and Papers of David Wallace,* 365.

[11] The House committee on canals and internal improvements opposed the issuance of treasury notes by the state, "both on the grounds of expediency and constitutional right." "The course pursued by the last Legislature, in making and putting in circulation a currency of that

The relation in which the Board stand to the Legislature, would, under different circumstances, impose the task of suggesting some plan for the future progress of our works, a duty they would gladly perform; but the State having exhausted her former means upon so many objects, leaving all in an unfinished and unproductive condition, and having to contend with the evils of a general suspension, and with the decline of State securities, the Board, not being able to point to any present means or reliances, acknowledges their inability to present a plan for going forward. Whilst the Board, however, make this admission, they would not assent to any proposition, and would repudiate every suggestion, for an abandonment of the enterprise. To surrender all that has been done would end in ruin to the State, both as to her fortune and her fame. She cannot recede from her position, no matter how apparent may be her past errors; and she has no escape but to go onward until the advanced and more profitable lines are completed. Such a course, only can ameliorate the burden of taxation, to our citizens. There may be some delay, and more than will be agreeable to our convenience or patience; but if we remain true to our plighted honor, sooner or later we can obtain the means.

The Board in connexion with this subject beg leave to refer to a table prepared by the Chief Engineer in answer to a resolution of the House of Representatives of December 24, 1840, stating the sums required to complete the different works. (See Doc. Journal of last session, page 125.)[12] By an examination of that document,

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description is without the sanction of precedent in most of the states, and there is high and respectable authority for believing it to be in violation of the provision contained in the 10th article of the constitution of the United States, which provides that 'no state shall emit bills of credit'. . ." *House Journal,* 1840-41, p. 220. The Assembly ended by passing an act whereby the certificates issued by the Board of Internal Improvement in favor of contractors on the Wabash and Erie Canal for work done on the canal would be receivable as payment on canal lands. *Laws of Indiana,* 1840-41 (general), pp. 199-200.

The objections to treasury notes—on constitutional and expediency grounds—had been raised when the treasury notes bill had passed, and the issuing of certificates instead had been recommended. See *Messages and Papers of David Wallace,* 331n-32n.

[12] The table its printed in *ibid.,* 334-35, from House Doc. No. 18.

it is evident that over 400 miles of the forward and most valuable works may be completed with an additional sum of two million of dollars; and with a further sum of a million and a half, 100 miles more may be completed. The expenditure of the further sum of the two millions mentioned, will render available an investment of some four millions now unproductive, and which cannot otherwise contribute to the relief of the tax-paying community.

The Board at the last session ventured the opinion that something might be accomplished by the associated wealth of our citizens, if permitted to construct one or more of the best works for our bonds; and they ask permission to repeat the suggestion as a safe and commendable policy, in the present state of things, if guarded with proper restrictions.

Whatever may be the conclusion of the Legislature as to other works, the improvement of the Rapids of the Wabash, under the joint superintendence and patronage of the State of Illinois and Indiana, is entitled to the early consideration of the General Assembly. Being an improvement of great value, when finished, as a common thoroughfare for the people of the two States, some provision should be made to complete it. By the substitution of timber for the stone locks first contemplated, the cost of the work may be grealy reduced.

Respectfully submitted,

N. NOBLE,
J. L. WILLIAMS

President of State Bank: Annual Report[1]

November, 1840

TO THE GENERAL ASSEMBLY.

Since the last annual report, the second instalment due on the State stock and from private stockholders, has been paid into the Michigan City Branch; the third instalment due from the State has been paid into the South Bend branch, and $20,000 received on the loan authorized to be made in 1839, has been paid over as additional capital in the Madison branch. Funds have not yet been obtained to organize the 14th, 15th, and 16th branches, nor to pay the private stock for which mortgages have been executed at the South Bend branch.

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[1] *Documentary Journal,* 1840-41, House Doc. No. 7.

The State stock in the bank now amounts to $1,304,950, derived from the following sources, viz:

Sale of 5 per cent. State bonds	$ 865,000 00
Third instalment F't Wayne br from sinking fund..	15,000 00
Fourth instalment of surplus revenue anticipated by issue of 6 per cent. State bonds and part of third instalment from payments on mortgages	404,950 00
Part of loan of 1839	20,000 00
The stock owned by individuals, amounts to	1,366,668 75
Total, exclusive of $15,000, not yet reported from South Bend	2,671,618 75

The dividends on the State capital for the year ending November 1, 1840, amount to $120,404 19; and the surplus fund has, during that time, increased $34,904. As near one-half of this belongs to the State, the rate of profit for the year has been ten and a half per cent.

The losses of the bank the last year, are estimated at $50,000, being at least five times the amount of all that had been sustained for the five previous years. The suspended interest on the debt due from the State and on other suspended accounts, which cannot be added to the profits until actually paid, will about equal the losses.

As near as could be ascertained at the last semi-annual examination, the discounts to different classes of business men were:

To merchants	$1,032 136,
To farmers	600,310,
To manufacturers and mechanics....	610,754,
To exporters	723,842,
To all others	771,376.

The loans to exporters will have been increased near a million of dollars before April; and those to others, merchants especially, a good deal diminished.

The notes and bills under discount amounted to 6,590.

The discounts to directors amounted to	$430,802.
The discounts to other stockholders, to	907,797.
The discounts to persons not stockholders,	2,399,819.

Of the private stock, $820,500, was owned by persons who borrow nothing or to a less amount than their stock; and $545,353, by persons who owe the bank more than their stock. In eight of the branches, more than seven-tenths of the private stock is held by persons, who usually borrow nothing or very little; and the discounts to their directors were $203,108, being $154,888 less than was due from the directors of the same branches in 1838.

In some other branches, there is more stock held by borrowers than is desirable; yet where there are but few capitalists in a bank district wishing to invest funds in bank stock—where the borrowing stockholders would sell their stock at once if purchasers of the right kind could be found; and where the business is safely and prudently managed, no interference can be required of the State Board.

There have been almost no difficulties in managing the bank, which have not arisen mainly from the purchase of stock by persons with the expectation of borrowing money on more favorable terms than could be allowed to others. As these difficulties have occurred from time to time, such measures have been adopted by the State Board as appeared necessary to correct the evil, and no positive failure to do so, has yet occurred. In regard to these and all other exceptionable proceedings in branches, it is understood by the State Board that they must be corrected; "that the branches which conduct their business properly, must not be endangered by others, and that the whole institution can and must carry with it a good share of favor from the well informed business men of the State."

The directors and stockholders of the bank generally make the same payments as other borrowers, and the branches are as desirous of obtaining safe and punctual customers as they can be to receive accommodations. As the directors and principal dealers in bank cannot be permitted to lie under protest even as endorsers, their liabilities for others often make their debts large, when only a small portion was originally obtained for their own use.

During the past year there has been less anxiety than heretofore in the branches to increase their capital, for the demand for loans for actual business and short periods has somewhat decreased. Still in many parts of the State if the bank possessed the ability, more loans might be made, with advantage to all concerned, and probably the capital of most of the branches might be increased with but little diminution of the rate of profits.

Much embarrassment has been felt in several of the branches, from the large advances made for the State in the summer of 1839, with no other expectation than that they should be speedily paid in New York.[2] This sum and interest which will be on the first of July next $692,433 in connection with the $294,000 of State Bonds advanced for the 4th instalment of surplus revenue, is for the time being no basis for banking, and is for all practical purposes a withdrawal of an equal amount of the capital of the institution. As the bonds were taken voluntarily no complaint is made on their account, though none of them have been sold and the State derives a clear profit of about $9,000 a year from an operation which is a loss to the bank of at least the amount gained by the State. That the bank may possess the means to keep up and increase its facilities for promoting the great business concerns of the country, it is most respectfully, yet earnestly urged upon the Legislature, that they make early provision to pay the debt due from the State.[3]

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[2] For an explanation of these advance payments, made by the branches on the public works, see *Messages and Papers of David Wallace,* 419n.

[3] See Governor Bigger's remarks on the debt owed the Bank by the state below, 125-26. The House committee on the State Bank, headed by James Farrington, a Whig from Vigo County, reported: "The situation of the state bank of Indiana resulting from her ordinary operations, it is confidently believed, is as sound and healthful, as any banking institution in the west; and could she possess herself of the debt due from the state, in the early part of the coming year, she would be enabled not only to keep up her present line of discounts, but prudently extend them, and thus afford additional facilities to all the active business operations of the country . . . your committee do not hesitate in recommending that some early legislative provision may be made, authorizing the negotiating of a loan . . . to liquidate the debt; or that six per cent. bonds . . . to an amount equal the principal and interest due, may be delivered to the bank at par, in payment of the debt due. . . ." *House Journal,*

The following table shows the highest and lowest discounts and circulation of the bank for the last four years.

. . . .[4]

Except in the year 1838, when the suspension of specie payments discouraged to a great extent new enterprizes, and which accounts for the difference in the business of that year, it appears that the discounts and circulation of the bank are usually considerably larger in the winter and spring than in the summer and fall. While the produce business of the State maintains its relative importance, and is managed as heretofore, these fluctuations must be expected. If more industry and capital were employed in manufactures, and if it would suit a portion of the farming interest to engage more extensively, at the proper season, in buying and fattening stock and hogs, to pay when exporters want their accommodations, the business of the bank might be nearly uniform throughout the year. Any attempt however to force a circulation beyond the business wants for a currency, will not be found advantageous to the bank, or the country.

Since October, 1839, most of the banks in the middle, southern and western States, have not paid specie on their notes as usual.

1840-41, pp. 163-65. The report is also in the *Documentary Journal,* 1840-41, House Doc. No. 14. The Senate committee on the State Bank also favored the payment. *Senate Journal,* 1840-41, p. 130.

An act was passed and approved authorizing bonds of the state to be executed and delivered to the State Bank in an amount equal to the principal and interest due the Bank for the advances made by it to the state on account of internal improvement and Wabash and Erie Canal funds. The bonds were to be dollar bonds bearing 6 per cent interest payable in New York or 5 per cent sterling bonds payable in London, redeemable in not less than five nor more than twenty-five years. *Laws of Indiana,* 1840-41 (general), p. 199. The branches of the State Bank refused to accept these bonds, which by May, 1841, were worth about 60 per cent of their face value. Proceedings of the State Bank of Indiana, May Session, 1841, Archives Division, Indiana State Library. See below, 331n, for later action in regard to payment of the state debt to the State Bank.

The Assembly also extended to the Bank the privilege of issuing small notes of denominations less than five dollars. This privilege was to run for five years from January, 1841. *Laws of Indiana,* 1840-41 (general), pp. 194, 204.

[4] The table, omitted here, is printed in the *Documentary Journal.*

A heavy drain of specie from these banks was submitted to for some months, in the hope that it would cease with the panic which produced it. But when it was feared that some of them might fail, and this would occasion so much alarm as to others, that the demand for specie would continue and increase, it was believed that suspension for a time was the least of the evils which the banks could make choice of. The most of them by paying out their specie, and forcing collections to the utmost, could have met all demands; but it would have been at the expense of blighting the hopes and blasting the prospects not only of business men generally, but of most of the creditors and debtors of the State.

By Mr. Woodbury's[5] Report of April 9th, 1840, it appears that the circulation of all the banks in the Union, has been as follows, at the times specified:

January 1st, 1835	$103,692,495
January 1st, 1836	140,301,038
January 1st, 1837	149,185,890
January 1st, 1838	116,138,910
January 1st, 1839	135,170,995
January 1st, 1840	106,968,572

The great reduction of circulation in 1838 and 1840, must have been much greater in each case, but for the suspension, which still left a currency not in general five per cent. below specie. With this, much of the debt of the country has been paid, often, no doubt, at considerable sacrifices; yet still insignificant to what they must have been, had no suspension taken place.

The circulation of the State Bank of Indiana has varied more in reference to the business demands of the country, than from any other cause, and yet the baneful influences of the fluctuations in other States, have been severely felt here.

It is understood that specie payments will be resumed at an early day,[6] and may it not be hoped that general confidence will be restored —that enterprize and industry will again seek their appropriate rewards, and that years of steady improvement and increasing prosperity, may follow the severe lessons which should not have been given in vain.

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[5] Levi P. Woodbury, United States Secretary of the Treasury.

[6] Specie payment was made mandatory after June 15, 1842. *Laws of Indiana,* 1841-42 (general), pp. 83-84.

There has been no opportunity for selling State Bonds for bank capital during the past year, and the last legislature having given the care of the bank loan of 1839, to the Fund Commissioners,[7] that subject will have been properly noticed in their report.[8] The annexed tables show the state and condition of the Bank at the time specified in the Charter.

Respectfully submitted.

S. MERRILL

STATE BANK, December 8, 1840

Statement

Of the Condition of the State Bank of Indiana on October 31, 1840

Resources

Discounted notes	$2,912,619	42
Bills	704,629	12
Branch balances	71,766	41
Balances due from other banks	335,505	68
Banking house, furniture, &c.	204,805	77
Due from the State of Indiana, for deferred payment of advances for public works	646,284	49
Indiana bonds taken for fourth instalment	294,000	00
Remittances and other items	86,153	98
Notes of other banks	195,724	00
Specie	1,092,963	72
	$6,544,452	59

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[7] An act to dissolve the present Board of Internal Improvement, the Board of Fund Commissioners, and the engineer department. *Laws of Indiana,* 1839-40 (general), pp. 51-52.

[8] The report of the Fund Commissioners is given below, 130-42.

Liabilities

Notes in circulation	$2,835,902 00	
Branch balances	73,998 00	
Balances due to other banks	154,423 69	
School tax	3,605 13	
Dividends not called for	6,815 10	
Sinking fund and other items	79,227 07	
Balance due individual depositors	309,248 61	
		$3,463,219 60
Leaving the amount of resources of the bank, over and above all liabilities other than to the stockholders		$3,081,232 99
		$6,544,452 59

The excess above stated of the means of the bank, beyond her liabilities, is distributable as follows:

To the State of Indiana, for stock under the charter	880,000 00	
To the State of Indiana, from loans of 1839	20,000 00	
To the State of Indiana, for stock from the surplus revenue	404,950 00	
	1,304,950 00	
To individual stockholders	1,365,883 13	
Total capital		$2,670,803 13
		[2,670,833 13]
Amount in surplus fund	$ 275,839 43	
Profits of last six months	134,590 43	
Total profits undivided		$ 410,429 86
Total excess		3,081,232 99

The circulation of the bank on October 31, 1839, was	$2,965,371 00
The circulation of the bank on October 31, 1840, was	2,835,902 00
Showing a less amount than this time last year by	$ 129,469 00
The specie in the bank on October 31, 1840, was	$1,092,963 72
The specie in the bank on October 31, 1839, was	1,021,490 18
Showing a larger amount than at this time last year by	$ 71,473 54

JAMES M. RAY, Cashier[9]

Bigger: Inaugural Address to the General Assembly[1]

[December 9, 1840]

GENTLEMEN OF THE SENATE, AND
HOUSE OF REPRESENTATIVES:

In assuming the duties of the office with which I have been invested, I find myself required, by considerations of the most imperative character, to state the views I entertain respecting those questions of state policy which are deeply agitating the public mind. A state of things is presented entirely unanticipated in the legislation of the years previous to the last. The system of internal improvements adopted four years since, has not prospered as was expected by its friends. It is now prostrated, and the people find themselves laboring under the complicated embarrassments of this disastrous result, and feel and express the most intense anxiety respecting the mode of relief, which may be adopted. Acting in accordance with the powers with which we

[9] The *Documentary Journal* also includes a report on the condition of the State Bank on November 21, 1840, and the officers of the branches with their salaries (House Doc. No. 13 and Senate Doc. No. 5, pp. 110-13), and the annual report of the branches (Senate Doc. No. 5).

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[1] *Senate Journal,* 1840-41, pp. 14-25.

are respectively clothed by the Constitution, it now devolves upon us to consult together, and you to propose such measures for prosecution as will protect the interests and promote the welfare of the people.

The full exposition which my predecessor has given of the affairs of the State up to this time,[2] renders it unnecessary for me to advert to them, further than may be requisite to enable me to state, in an intelligible manner, such suggestions as I may make in the examination of the various questions connected with our future policy.

The question of paramount importance is, what shall be done with our public improvements? The "System," excluding the Wabash and Erie Canal, embraces nine different works. Their aggregate length is 1,159¾ miles, of which about one hundred and forty miles are fully completed. The amount expended on the different lines, many portions of which are nearly ready for use, is something over 5,600,000 dollars. To finish the whole, would require, at the present estimates, the additional sum of about fourteen millions of dollars. Operations ceased on the public works in August, 1839, with some exceptions, and most of the contracts have been surrendered to the state, under the act of last session, authorizing that course, and providing for the compensation of contractors by the issue of treasury notes. In addition to this, no provision was made by the last Legislature to pay the interest on the state debt incurred for internal improvements.

Such being the situation of our public works, several most important enquiries are presented for your consideration. Shall we undertake the simultaneous prosecution and completion of the whole, or abandon them entirely; or shall we adopt some modified plan of operations, within the means and resources of the State? Their prosecution, as originally contemplated, will not be seriously urged, at this time, by any one at all conversant with our condition, and the extent of our liabilities. Such a course would be the extreme of folly. And, on the other hand, their entire abandonment, with the utter loss of the large sums of money already expended, would scarcely be less ruinous in its consequences to our credit and ultimate prosperity—leaving us to discharge the interest, and finally, the principal, without any prospect of remuneration.

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[2] See Governor Wallace's message to this Assembly in his *Messages and Papers,* 453-77.

If this were an original question, submitted to the Legislature for the first time, to be adopted or rejected at pleasure, you might, in its rejection, run no risks—create no embarrassments. But adopt what course you may, you are not at liberty to sketch your own plan, and then provide materials suitable to your purpose. Materials illy assorted for any design you may wish to execute, lie before you. Difficulties will impede your progress at every step. It is, at best, a choice of evils, and the question is, which is the least.

Permanent relief can only be obtained by the adoption of those measures which will enable the state to realize the largest amount from the sums already expended, bear the least oppressively on the people, and at the same time sustain her character and credit, under all circumstances. To attain this result, I would earnestly recommend a strictly defined modification of the original system, submitting the whole of the works to the most rigid scrutiny, as respects their advantages, the facility of their completion, and their present and future cost. Ample provision should be made to protect the works from injury and decay. At the proper time, let a part of them be taken up and finished, as the ascertained means and resources of the state will enable us. Let those works be selected which can be completed with the least expense, and which will yield the greatest amount of revenue, and be of the most advantage to the state, considered with reference to their extent and actual cost. The terms of this modification ought to be well defined, and based upon principles of the most rigid economy. The work or works to be prosecuted, and the amount of money to be expended, ought to be definitely specified, leaving nothing to the discretion of the Board of Public Works, except the mere details. This will place the whole responsibility upon the immediate representatives of the people, and protect them from the evils of that legislation which indirectly screens the conduct of public officers from the corrective action of the ballot box. By a prudent adherence to these principles, although all the labor and money heretofore expended, cannot be saved from loss, still, much may be done towards rescuing the State from her present condition.

There are many who dread the prosecution of all the works, and to prevent this, they insist upon the utter prostration of the whole. Such a course, it strikes me, is exactly calculated to fasten upon us the very evils so much deprecated. As the times now are, it would not be difficult to prevent their further progress. But when a change shall come for the better, the same combination of different interests which led to their commencement, will produce the renewal of their prosecution. And if the system, in its present extent, could not command force enough to put it again in progress, its friends, rather than abandon it altogether, would unhesitatingly add other works, and thus it might be brought back upon us in a more oppressive form than at first. The question is now submitted to the good sense of those opposed to the system as projected in 1836, whether it is not the part of prudence, when it is prostrate, to join in settling a plan for its modification and restriction, which will at once put an end to all other questions respecting the manner of its prosecution.

As a measure of relief, the plan of selling out the public works, in their present condition, to companies, has been frequently suggested. The proposition is plausible; but is there even a probability that any body of capitalists can be found, who will take our works on such terms as will render the stock profitable to them, and at the same time, be safe and advantageous to the State? All who understand the subject, know well, that the value of public improvements does not depend alone upon the amount of tolls which may be collected. The facilities furnished for the transmission of the surplus productions of the country to market, the cheapness of freight, the increase in the value of property, and the additional stimulus to trade and commerce, are some of the important advantages which are secured by judicious improvements. To make them productive in revenue, beyond the common interest of the money expended upon them, would, generally, so much increase the cost of transportation as to defeat one of the primary objects of their construction. A work may be of great advantage to the section of country through which it passes, and yet not yield such an amount, in the collection of tolls, as to induce monied men to invest their capital in such an enterprise. And furthermore, capitalists are becoming cautious in the investment of money in projects of this character. Associated wealth, clothed with corporate privileges, has been strongly denounced within the last few years. Such associations have been held up to the public gaze, as dangerous monopolies, aristocratic in their character, anti-democratic in their tendencies, and calculated to subvert those principles which lie at the foundation of our form of government. The doctrine of vested rights, existing with reference to these institutions, beyond the unlimited control of the Legislature, has been, by many, strongly repudiated. Under such circumstances, men could not easily be found to invest their capital, to the extent proposed, where their operations would bring them in daily contact with the business of the country, and all the details of its trade and commerce.

I do not wish, however, to be understood as objecting to the project itself. It is its practicability as a means of relief, to which I wish to call your attention. After the most careful investigation of its claims, it strikes me most forcibly, that its chief merit consists in its plausibility. There can be no objection to it, if its adoption can be secured on safe principles. It ought, however, to be remembered, that it would place all our avenues of commerce and trade in the hands of a strong monied power. These companies would insist upon the exclusive right of way, and such privileges as would secure to them the full enjoyment of that right, and without which their stock might be rendered valueless by the interference of a future Legislature. It is therefore essential that the power should be reserved, of exercising a strict scrutiny over all their operations, and so far controlling them as to prevent the exaction of excessive tolls, and the opening or closing these avenues as whim or interest might dictate. And above all, the most undoubted security should be required, to save the State harmless, to the full extent of the terms agreed upon. Much caution is necessary, less the result may increase the burdens which are now bearing down so heavily upon us. If responsible companies can be induced to take the works off our hands with proper conditions and restrictions, the State can well afford to grant the most liberal terms of payment.[3]

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[3] See Governor Wallace's remarks on classification in his message to this Assembly in his *Messages and Papers,* 470-71. The question of classification of the public works occupied a considerable portion of the Assembly's time. The matter was referred to the House committee on canals and internal improvements headed by Caleb B. Smith. A select committee was also appointed on a resolution of William Jones of Spencer County, with Jones as chairman and made up of persons representing counties in which no improvements were provided for in the 1836 act. Both committees submitted minority and majority reports and bills. Also, an effort was made to suspend all further operations until the next meeting of the legislature, dissolve the Board of Internal Improvements, and discharge the Fund Commissioners. Part of the report of a select committee of the Senate on classification, the majority report of the House committee on canals and internal improvements, and the minority report of the select committee in the House are given below, 160-65, 180-90, 190-93. For action on the various bills introduced in both houses see the indexes of the House and Senate *Journals* under "Classification," and below, page 165n.

By the act passed the works provided for in 1836 were divided into two classes. In the first class were placed the Whitewater Canal from Brookville to Connersville, the Madison and Indianapolis Railroad from Vernon to Edinburg, and the improvement at the Grand Rapids of the Wabash below Vincennes. All the others were placed in the second class. The sum of $150,000 from the suspended debt due the state was appropriated to the Whitewater Canal; $100,000 worth of railroad iron, a payment on the suspended debt, was appropriated to the Madison and Indianapolis Railroad; and $50,000 out of the suspended debt was appropriated for the Wabash River improvement. The act also provided that any unfinished portion of any of the public works might be taken up by individuals or corporations and finished under contracts made with the Board of Internal Improvement. The bonds comprising the "suspended debt" of the state, are listed in the treasurer's report, above, 74.

The act also stated that the suspended debt of the state should be appropriated as follows: first to the payment of outstanding treasury notes of the state, and, second, to interest accruing in 1841 and 1842 on the public debt and to the redemption of bonds heretofore hypothecated. The rest was to be applied to the works as stated in the act. *Laws of Indiana,* 1840-41 (general), pp. 207-8.

In line with this legislation an act was passed and approved providing for the further construction of the Madison and Indianapolis Railroad which made it lawful for the counties through which the line passed to levy additional taxes towards its construction. *Laws of Indiana,* 1840-41 (general), p. 209. See also 99n, above.

A delicate question presents itself in examining how the faith of the State was left, during the present year, to the care of her fiscal agents, without the requisite legislative assistance. Year before last, a tax was levied, of thirty cents on each hundred dollars, of the grand assessment, for the payment of the interest on the debt created for Internal Improvements. Last winter the levy was reduced to fifteen cents, although the debt had been greatly enlarged from the previous year. This amount of revenue, including the poll tax, after deducting what is necessary to pay the current expenses of the State government, will fall far short of paying the interest we owe.

Men, looking only to those shifts and expedients calculated to secure present popularity, may risk such a course; but it pays no part of the public debt. Instead of discharging our liabilities gradually, they are suffered to accumulate; for while the taxes are lessened and the interest paid, as it has been this year, the amount of interest, itself drawing interest, is left to be added to the principal, or to the sum to be drawn hereafter from the people by taxation. Every prudent man who owes a debt above his present means, which he intends to pay, regards its liquidation by regular instalments, as preferable to its accumulation at compound interest, whenever it can be avoided.

It is important that the people should distinctly understand the real issue tendered in this question. It is not a matter respecting merely the reduction of taxes. It goes to the question—Shall the faith and character of the State of Indiana be sustained? The Fund Commissioners, in devising the means for the payment of interest this year, must have done so in the belief that the Legislature would ratify their proceedings, and prevent the recurrence of a similar state of things.[4] Should you follow the examples set by your immediate predecessors, it must be regarded as the solemn determination of the State, that she will not pay her debts. To do this, would affix a stain on the character of her citizens that could never be effaced, and would render our name a reproach and a by-word. We must discharge our honest liabilities with the most scrupulous punctuality. To do this, requires of those to whom the destinies of the State are confided, the firmness of men looking not to that popularity which passes away with the occasion in which it had its origin, but to her true interests and prosperity, and her disenthralment by those means which will endure the scrutiny of every fair and honorable mind. The State comes to you involved in these difficulties. The people are fully aware of the condition of their affairs. The trusts reposed in you, simply require at your hands, that as honest men, you will do the best that circumstances will permit, consistently with the honor and credit of the State; and to shrink, at this time, from providing the means for meeting her obligations, would be distrusting the honesty and intelligence of the people.

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[4] Milton Stapp, as one of the Fund Commissioners, made a report to the Assembly which among other things concerned transactions in regard to the payment of the July, 1840, interest. After detailing the failure to collect payments due from the Morris Canal and Banking Company and other eastern institutions indebted to Indiana, he wrote, "Under these circumstances, it became necessary for us to borrow a portion of the money for the payment of our interest; which was done by the hypothecation of state bonds, so that chiefly, with our western funds, the sale in the west of $50,000 of the North American Trust and Banking Company

Much individual indebtedness was created during the progress of the works of Internal Improvement. When operations ceased in 1839, and prices fell at the same time, the people were left, in a great measure, without the means of commanding money to pay their debts. Should Providence bless us with fruitful seasons, the industry and economy now exercised, and the caution with which new debts are contracted, will enable them to free themselves of individual embarrassment by the close of the year 1842. Until this shall be the case, it may be found inexpedient to resort to full taxation. While seeking to discharge the interest we owe, by the sound and legitimate mode of drawing on our own resources, our citizens should be favored as much as possible, until the pressure of their own debts shall be removed. If the Legislature can provide the means of meeting the interest on the State debt, for two years, without increasing the rate of taxation beyond the reasonable

certificates of deposite due the 1st Oct. inst. at a loss of about eight per cent. and the borrowing of $47,500 yet due, we succeeded in paying our interest to the first of July last." *Documentary Journal,* 1840-41, Senate Doc. No. 2, p. 42.

ability of the people, they will then be in a much better situation to meet all necessary demands upon them; and no one, acquainted with their true character, will deny that they possess the patriotism to do so, for the purpose of sustaining the honor and integrity of the State. Provision should be made by law for supplying any deficiency which may occur in the revenue, in order that the interest may be paid as it falls due, by resorting to such sources of relief as may occur, or to those which have been suggested by my predecessor, so far as they may be found expedient or practicable.[5]

General enactments, granting extensive discretionary powers to public officers, are calculated to defeat the design with which the Legislature was constituted. Looking to the past, I feel it my duty to recommend that every thing respecting the finances and obligations of the State, and the payment of the interest accruing on her debts, should be regulated by law, and not left hereafter to the discretion or individual responsibility of public agents. Our bonds frequently have been sold on time, and the result is a sufficient admonition, not to part with them under any circumstances, unless they can be disposed of on such terms as will secure the money at the time of their delivery. And in meeting the contracts and liabilities of the State, in endeavoring to carry out any course of policy which may be adopted hereafter, the credit of the State should be established on such a firm basis, that no emergency could force us into the disposal of our bonds for less than their par amount.

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[5] See Governor Wallace's remarks on taxation in his message to this Assembly (*Messages and Papers,* 458-60).

The revenue act passed by this Assembly levied for internal improvement purposes an annual tax of forty cents on each $100 property valuation and for state purposes a poll tax of seventy-five cents. The forty-cent levy was to be set aside to discharge the interest on the state bonds. The poll tax was to be devoted to the civil list. If the poll tax was not sufficient, the difference was to be made up from the internal improvement tax. A fifteen-cent additional levy was placed on each $100 valuation of lands liable for taxation in 1840 on which no tax had been collected. *Laws of Indiana,* 1840-41 (general), pp. 47-48.

The preceding Assembly had failed to pass its own revenue act and had fallen back on the act passed in 1837 which it put in force for the year 1840 by joint resolution. *Laws of Indiana,* 1839-40 (general), pp. 6-10. This provided for a poll tax of fifty cents and a tax of fifteen cents on each $100 valuation. See *Messages and Papers of David Wallace,* 328n-29n.

When the measure raising the taxes at this session was being debated in the House, a proviso was inserted stating that fifteen cents of each forty cents levied was designed to meet the deficiency occasioned by the refusal of the last legislature (wherein the Democrats were in control of the House) to raise a sufficient tax to supply the demands of the treasury for the present year. This caused a storm of protest and it was deleted. Indianapolis *Indiana Journal,* February 13, 1841, and *House Journal,* 1840-41, pp. 663-64.

Your attention is also solicited to the unequal assessments of real estate in the different counties, with a view of providing for their equalization. Officers not bound to any correspondence with each other, must necessarily make very different estimates of lands which are equal in value. Some alteration of the law is necessary on another ground. The counties which are to reap the advantages to be derived from the public works, ought in justice to be required to sustain an amount of taxation bearing a more equitable proportion to those advantages, than will be found to be the case under the practical operation of the existing law.[6]

The payment of our State debt is looked upon by some as almost impossible. The public works yield but little profit in their unfinished condition, and we cannot expect any permanent relief until we can procure additional means for their prosecution. Under these circumstances, your attention is directed to the distribution of the proceeds of the public lands: not that we should apply to this source as a matter of necessity merely, but of right. Originally many of the states owned large tracts of wild lands. During the Revolutionary war, each of the States, to a greater or less extent, incurred expenses in its prosecution. For the purpose of adjusting these expenses, and promoting the harmony of the Union, it was strongly recommended by Congress to the States owning lands, to make liberal cessions of them to the General Government. On the 10th of October, 1780, Congress enacted "that the unappropriated lands which might be ceded to the United States by any particular state, pursuant to the recommendation of Congress of the sixth of September previous, should be disposed of for the common benefit of the whole." And accordingly, several of the States ceded their unappropriated lands for this purpose. Virginia, then owning all the territory now comprised in the States of Ohio, Indiana, Illinois, and Michigan; and the Territory of Wisconsin, accompanied its cession with the following condition, which is substantially the same with the terms of all the other cessions, that these lands "shall be considered a *common fund* for the use and benefit of such of the United States as have become or shall become members of the confederation, or federal alliance of the said States, Virginia inclusive, according to their usual respective proportions, in the general charge and expenditure, *and shall be faithfully and bona-fide disposed of for that purpose, and for no other use or purpose whatever.*"[7] Another portion of the public lands lay within Louisiana, purchased from France, and the Floridas, purchased from Spain. From the terms of the several cessions, and the manner in which the lands procured from France and Spain were acquired, and paid for out of the common treasury of the States, in their federate capacity, the whole must be regarded as held in trust by the General Government, for their common benefit.

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[6] For Governor Wallace's remarks on the mode of assessing taxes see his *Messages and Papers,* 325-26, 458-60. See also the auditor's report and the Assembly's action, above, 82-86n.

The proceeds of these lands were specially held as a fund to be applied to the payment of the national debt, which was finally discharged in the year 1832. As soon as this was accomplished, a controversy arose immediately as to what disposition should be made of the public domain. It has been proposed to cede parts of it to the States within whose limits they are situated. To this the older States will not readily consent; and so far as respects the ceded lands, it would be a direct violation of the terms of their cession. In the year 1832, a bill providing for the distribution of the proceeds of the public lands passed both Houses of Congress, but failed to receive the sanction of the President. It provided that the new States of Ohio, Indiana, Illinois, Alabama, Missouri, Mississippi and Louisiana, should receive twelve-and-a-half per centum on the nett proceeds arising from lands sold within those states respectively, after the 31st of December, 1832. This was to be in addition to the five per cent. before reserved, making, altogether, seventeen and a half per cent. The remaining sum was to be divided among the several States, in the ratio of their federal representative population, according to the census of 1830. The twelve-and-a-half per cent, was allowed on account of the constant and rapid increase of the population of those States. This plan of distribution was to be continued in force for five years, except in case of a war, when its operation was to cease.

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[7] For the full text of the Virginia act of cession, see Charles Kettleborough (ed.), *Constitution Making in Indiana, Volume I, 1780-1851* (Indiana Historical Commission, 1916), 9-14.

By the report of Mr. Whitcomb, Commissioner of the General Land Office, laid before the Senate of the United States, in compliance with a resolution calling for information respecting the proportion of the nett proceeds of the public lands which each State would have received under the distribution bill of 1832,[8] it appears that the whole amount realized from the time the act would have taken effect, to the 30th September, 1838, was fifty-seven millions two hundred and twenty-seven thousand five hundred and twenty dollars; and that the distributive share of Indiana, including the twelve-and-a-half per cent.,[9] would have been two millions six hundred and forty-six thousand seven hundred and forty-four dollars. The average sum annually received by the State, would have amounted to five hundred and twenty-nine thousand three hundred and forty-eight dollars.

The reduction and graduation of the price of the public lands, and projects for their cession in some form or other, to a part or all of the States, have been assiduously kept before the people, without even a probability of the adoption of any of them. All this time the lands have been sold off rapidly, and this large sum of money has been appropriated in numerous instances, to objects of, at least, questionable utility. It has been said that if the public lands are given directly to the States, they will be wasted, and that it is holding them up for purposes of plunder and systematic fraud. If they are held by the General Government for the common benefit of the States, and for no other use or purpose whatever, it certainly is not wrong for those States to ask their appropriation in a manner that must be much more beneficial than any other disposition that can be made of them. Besides, if it were proper, the question might be pressed, whether there is not as much danger of the proceeds being wasted, or misapplied, in the hands of the General Government, as by the States, particularly when so many of them will have the strongest incentives, from the pressure of their debts, to be prudent and economical in their application. It has also been objected to the project of distribution, that it will cut off every prospect of graduating or reducing the prices at which the public lands shall be sold hereafter. To this it may be answered, that there is just as much reason to believe that the States in their eagerness to obtain their respective shares as speedily as possible, will be as much, if not more, disposed to reduce the price of the public lands equally, or by a system of graduation, as under the present plan.

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[8] Printed in U. S. *Senate Documents,* 25 Congress, 3 session, No. 96 (January 16, 1839).

[9] Allowed on the net proceeds of sales in each of the states in which the public lands are situated.

An objection somewhat plausible has been raised, that the amount expended for the purchase of Louisiana and the Floridas, and extinguishment of the Indian title, together with the expenses of our land system, has far exceeded the sum derived from the public lands, and therefore there is no propriety in distributing the proceeds until enough has been obtained to cover all these expenditures. This is assuming the false premises that the people of the several States are not the people of the United States. The public domain has been paid for with the money of the people of the States in their national character; and if the General Government was free from debt, (as was the case when the distribution bill passed,) on account of the public lands or otherwise, no sufficient reason can exist why such an objection should be sustained. The fact that the revenue derived from the duties on foreign importations is insufficient to defray the ordinary expenses of the General Government, and the necessity of taking the proceeds of the public lands to supply this deficiency, has been urged as a reason against applying them to any other purpose. This has been produced by the constantly diminishing rate of imposts, under the compromise act of 1833. A tariff of duties sufficient to meet the expenditures of the Government, it is believed by many of the friends of a protective system, if properly adjusted, will afford adequate protection to American manufactures, enable Congress to dispose of the public lands for the benefit of the States, and provide a steady and permanent market for the consumption of our agricultural products.

Schemes for the disposal of the public lands may be devised, promising greater advantages to the State of Indiana; but it is extremely doubtful whether any plan can be brought forward which will be as likely to give general satisfaction, as one similar in its general character, to the distribution bill of 1832. At least, it is certainly better while the people of our State are pressed down with the weight of their public debt, that we should avail ourselves of relief in this form, than by grasping at more, as has been done, to lose all.

Mr. Norvell, from the committee of the United States Senate, to which was referred Mr. Calhoun's land bill, made a report on the 13th of May, 1840, from which the following extract is taken, to exhibit the quantity of unappropriated lands, the proceeds of which may still be made subject to distribution. "It appears," says the committee, "from a report of the Commissioner of the General Land Office, (see Doc. 46 [460] 3d Session, 25th Congress,) that the whole quantity in acres of the public domain on the 30th of September, 1838, to which the Indian title was not extinguished, amounted to 766,000,000, in round numbers. There was, at the same time, as appears by the same report in the States and Territories, 319,000,000 of acres, to which the Indian title was extinguished; making the whole public domain in the aggregate at the time, to be ten hundred and eighty-five millions of acres; from which about 5,000,000 of acres may be deducted for sales since made, leaving now about ten hundred and eighty millions of acres."

The correctness of this report will not be doubted. The quantity of land sold since it was made in May last, and purchased from the Indians since the 30th of September, 1838, is not sufficient to affect, materially, any calculations based on the above estimated quantities. At the present minimum price, the whole would bring thirteen hundred and fifty millions of dollars. No one, however, can determine with accuracy the average amount per acre, for which they can be sold, nor the probable cost of extinguishing the Indian title. But there can be little doubt that it is a safe estimate, to say, that the public domain can be disposed of at the average price of 75 cents per acre, and that the whole Indian claims can be obtained at the cost of 25 per centum on their value at one dollar and twenty-five cents per acre. The 766,000,000 of Indian lands, at 75 cents per acre, would be worth 574,500,000 dollars. Deducting from this amount, 25 per centum of the Congress price, making 239,375,000 dollars as the sum necessary to extinguish the Indian title, leaves the nett proceeds at 335,125,000 dollars. Then taking from the 319,000,000 of acres already acquired, 5,000,000, as the quantity sold since the 30th of September, 1838, there remain 314,000,000 of acres, which at 75 cents per acre, would produce 235,500,000 dollars. This amount, added to the preceding estimate, makes the immense sum of 575,625,000 dollars, which may be divided among the different States.

Assuming the representation of the States in Congress as the basis of distribution, and that under the apportionment which will be made according to the census of 1840, we shall have twelve representatives, (the whole number remaining as now, at 242, and if not, our delegation will be in a similar proportion to any other number adopted,) it would make our distributive share to be 28,295,454 dollars. This calculation rests on the assumption that the population of the States is to remain the same. But Indiana will continue to increase largely in numbers for many years, far beyond many of the other States, which will entitle her to a much greater sum. After making liberal allowances to cover all deficiencies and reservations, I think we may safely set down the amount which may be derived by this State, at 30,000,000 of dollars. This sum ought not to be made liable to any deduction on account of the portion of the surplus revenue which we have received, as there can be no valid objection to its being retained, on the amount to which we would have been entitled, under the distribution bill of 1832.

If a scheme of distribution were once satisfactorily adjusted in such a manner that the State would be enabled to vest this fund, so as to apply its proceeds to the payment of her current debts, and pledge it as a security for such debts as might be found necessary to contract hereafter, for judicious works of improvement, or for other purposes, its amount and stability would place the credit of the State on a permanent foundation, lighten the taxes on the people, and furnish the means for the most liberal provision for the benefit of common schools, and the general promotion of education. It is important to bring this subject before Congress at as early a day as practicable, with instructions to our Senators and Representatives to use their exertions to procure the adoption of some mode of distribution, consistent with the rights of the States, and which will secure to us, as soon as possible, the full advantages of such a system.[10]

The State owes the State Bank, including interest to next July, about $692,435. It is essential to the business of the country that this debt should be arranged at as early a day as possible, inasmuch as the Bank is restricted in its accommodations to a corresponding amount.[11] A particular connection with Internal Improvements by which this indebtedness was produced, should not be forgotten. The object of the Bank should be the promotion of the agricultural and trading interests, and its issues should be governed by the demands and wants of those interests. But if we connect it too closely with the uncertain fortunes of our public works, its whole business may in the end be controlled by their success, fluctuations, or accidental embarrassments. The Bank has become of vast importance to the people in furnishing the means to purchase and carry off their surplus produce to market. This is one of its most valuable offices, and it should be the aim of the Legislature, as it is the interest of the people, to secure its management with faithfulness and ability. The prospect of a return to the system so long and successfully practiced by the General Government, from the days of Washington to the commencement of the present Administration, of transacting the financial business of the General Government with the same currency, under safe restrictions, which is used by the people, justifies the expectation that the payment of specie will soon be resumed permanently by all the solvent banking institutions in the country, including our state bank and branches.

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[10] For Governor Wallace's comments on distribution see his *Messages and Papers,* 463-65. The House committee on Federal relations, Philip Mason of Fayette County, chairman, expressed its agreement with the sentiments expressed by both Wallace and Bigger. *House Journal,* 1840-41, pp. 347-49. The Assembly passed a joint resolution declaring the public domain the common property of all the states and "the proceeds thereof constitute a common fund for their common use and benefit," and protested "the surrendering of this common property to a portion of the states, as unjust, and in direct violation of the purposes for which it was ceded" to the Federal government. The resolution also protested the reduction in the minimum price of public lands. It then recommended the separation of the proceeds from the sale of public lands from other revenue and their distribution, as outlined in Clay's land bill, among the several states and that "Congress provide the means to meet the demands of the states, to the several amounts to which they would have been entitled under that bill after deducting the amount of the surplus revenue already received." Indiana's senators and representatives were urged to support these principles and recommendations, and copies of the resolutions were to be sent to the governors of all the states. *Laws of Indiana,* 1840-41 (local), pp. 223-24. See also Mason, *Autobiography,* 165. For Congressional action see below, 287n.

[11] For action of the Assembly in regard to the debt owed by the State to the Bank see above, 105n-6n.

As the subject of Banks has been a fruitful theme of discussion for a number of years, I trust a few remarks from me, respecting them, will not be deemed inappropriate. Men looking only to their own political aggrandizement, regardless of the public welfare, seize upon every thing wrong in their management, not to correct it, but to hold it up to the community as conclusive evidence that all banking institutions are necessarily corrupt. We hear it said that they are created solely for the benefit of the stockholders, and the inhabitants of the towns and cities where they are situated, whose only object is to speculate at the expense of the people. Banks exist because they are profitable to the stockholder and the borrower; although they would not be worth a moments legislation if their benefits extended no further. They are not objectionable simply because every man in the community is not accommodated with loans—if those who borrow throw the money into circulation through the ordinary channels of business and trade. Nevertheless, as far as their means will permit, they should be required to pursue a liberal and enlarged policy, in aiding all the active branches of business which may require assistance. A liberal profit is made on the capital employed; and yet, no man who borrows money, can procure it at as low a rate of interest from any other source. When properly regulated, banks exercise a beneficial influence on labor and enterprise, almost incalculable. When injudiciously or dishonestly conducted, they are powerful instruments of evil to the country, and ultimately, of loss to those who own the stock.—They should be watched with a jealous eye, not with a view to their destruction, but the purpose of restricting them to their appropriate spheres. It is true they are not placed on farms, nor in the woods, but in towns not for their particular benefit, but as the central points of business. Steamboats procure employment because they are profitable to the owners, and the people use them because they find them convenient for transportation. Great loss of life and property is sustained by them, and even associated wealth has ventured to own them. Fortunately, however, for the country, those who manufacture political capital by arraying one interest against another, have not made the discovery that because they navigate our rivers and refuse to run on dry land, therefore they ought to be put down as dangerous monopolies.

A paper currency, readily convertible into specie on demand, is essential to our progressive improvement. In it is laid the foundation of the true credit system, which is our surest protection against the actual monopolies of capitalists. Credit constitutes the capital of the poor man, bestowed upon him as the reward of his enterprise and integrity. With it, he can compete successfully with wealth in all its forms.—Without it, labor and property would be brought entirely within the heartless grasp of individual wealth, whose operations can never be brought under the control of legislation. All branches of regular business, whether dependent on wealth or labor, are essential to each other. When one prospers, all prosper. Disturb one, and the others are also affected. True policy requires us to cherish and sustain all these interests, and protect each from the undue encroachments of the rest.

With regard to Common Schools, it is perhaps scarcely necessary for me to say, that I shall always take the deepest interest in their prosperity, and I trust it will be a prominent object of our mutual regard and counsels, that they may be brought within the reach of every family in the State, under the instruction of competent teachers.

The powers with which the Executive of the State is clothed, are limited; but it will afford me the greatest pleasure to co-operate with the Legislature, in carrying out those principles which recognize a strict impartiality among the diversified interests and claims of the different parts of the State—the maintenance of her rights, and the preservation of her faith at every hazard—the observance of a prudent economy, and a strict accountability in the administration of every branch of the public service—and the creation or continuance of no public office for selfish ends, but merely as a trust to be faithfully and honestly executed for the common welfare. Whatever is done, where different views of policy may exist, I must hope will be effected in the exercise of a liberal spirit of compromise and forbearance. It is highly desirable, for the advancement of the social and public relations which should ever bind us together as one people, that our zeal and solicitude should be directed to the best provision for the future, instead of recrimination as to the past. And although our prospects are darkened by the adverse circumstances with which we are surrounded, we may console ourselves with the reflection, that in an honest and fearless discharge of duty under every exigency, we may look forward with confidence to the approval of our constituents, and of our own consciences; and above all, with humble trust, to the continued guidance of a beneficent Creator, whose signal providence has so often proved our country's safety and sure defence.

SAMUEL BIGGER

INDIANAPOLIS, Dec. 9, 1840

Secretary of State to the Senate: Report on Salary[1]

INDIANAPOLIS, Dec. 11, 1840

HON. SAMUEL HALL, President of the Senate:

SIR: In answer to a resolution of the Senate adopted on yesterday requiring me to report the amount of my salary, &c.,[2] I hasten to submit the following statement:

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[1] *Senate Journal,* 1840-41, pp. 34-35.

[2] *Ibid.,* p. 30. The resolution also called for a similar report from

The salary fixed by law under the act regulating the duties of Secretary of State is fixed at	$ 600 00
(See Revised Code, 1838, page 557.)	
Under a joint resolution of 17th February, 1838, the Secretary, for his duties as State Librarian and services rendered in relation to Wabash and Erie Canal, and other services is allowed,	450 00
(See local acts of 1838, page 442.)	
Clerk hire to the amount of $200 is allowed under the provisions of an act to amend the several acts now in force relative to the Wabash and Erie Canal lands, approved Feb. 16, 1839,	200 00
This makes the total amount of permanent pay allowed under law amounting to the sum of	$1250 00

It is impossible for me to give any correct estimate of the perquisites arising from the performance of various duties.

In the last year I have issued sixty Michigan road land patents, for which I have received thirty dollars; twenty-eight Canal land patents have been issued, amounting to twenty-eight dollars. Of this amount I have received four dollars. The other patents have not been called for, and will not probably be for years to come. I am allowed 12½ cents per hundred words for copies of laws, &c. I have kept no memorandum of this amount. In many instances the fees were paid at the time the services were rendered, and of course not charged. I find that during last year I charged on my book for such service, forty-two dollars and fifty cents, about one half of which is not collected and probably never will

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the auditor and treasurer of state. See their replies, below, 149, 150-151. Similar information was requested also by the House, and a House committee composed of Philip Mason of Fayette County, James Conwell of Franklin County, and Othniel F. Clark of Tippecanoe County was appointed early in the session "to report to the House the amount received in any form by the Auditor, Secretary and Treasurer of State, as a compensation for their services; also such changes in the law regulating their salaries and the mode of transacting the business in those departments as they may deem necessary." *House Journal,* 1840-41, p. 49. The report of the committee and action of the Assembly is given below, 165-71.

be. This service may, however, be safely set down as not exceeding in any one year seventy-five dollars. I am allowed fifty cents for each certificate and seal. For these services, no charges are made, and cannot, I am satisfied, in any event ever exceed fifty dollars per annum. So that the fees and perquisites during the last year has been about fourteen hundred dollars. After deducting clerk hire, which is absolutely necessary from the commencement of the session of the Legislature until the printing and indexing the laws and journals are completed—say, about the first of May,—not more than twelve hundred dollars, under any circumstances, can be realized by the Secretary.

The foregoing statement contains, as far as I am able to furnish, the information desired by the Senate.

I am, very respectfully, Your obedient servant,

WM. J. BROWN,
Secretary of State.

Fund Commissioners: Annual Report[1]

[December 11, 1840]

TO THE HONORABLE THE SENATE AND HOUSE OF REPRESENTATIVES OF THE STATE OF INDIANA:

The undersigned, Fund Commissioners of the State, beg leave to report, that after the failure of the Morris Canal and Banking Company to pay its dues to the State of Indiana on the 1st of September, 1839, it was thought advisable by the then acting Commissioners of the Board, to turn a portion of the debt of that institution into an indebtedness on the part of other good institutions in the state of New-York; which was accordingly done by receiving from the Morris Canal and Banking Company securities from other institutions to the amount of $330,000, for which we agreed to receive their paper to be circulated in Indiana. These contracts were reported to the Legislature at its last session.[2]

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[1] *Documentary Journal,* 1840-41, Senate Doc. No. 3. Milton Stapp, former Fund Commissioner, and Nathan B. Palmer, treasurer of state, had been named by the previous legislature to serve as Fund Commissioners. *Laws of Indiana,* 1839-40, p. 51.

[2] For information on the compromise agreement made with the Morris Canal and Banking Company, see *Messages and Papers of David Wallace,* 254, 389-90, 414-17.

Knowing that the State was about to be embarrassed in its Internal improvement finances, and believing that the bank paper of good institutions in N. York, issued upon our own stocks, would meet with good circulation in our own state, and answer all the purposes of our own money in the payment of state debts to contractors, the Fund Commissioners in 1839 sold to the Merchants' Exchange Bank of Buffalo $200,000 of 5 per cent. stocks at 96 cents to the dollar, and to the Bank of Commerce 50,000 at 96 cents to the dollar, and to the Bank of North America in Buffalo $50,000 at par.

At the meeting of the Board at this place in Nov. 1839, they were apprized that all the banks of the middle, southern, and western states, had suspended specie payment, and that the banks in the state of New-York continued to redeem their notes with the precious metals, which caused them to sell in our market at a premium, at from 10 to 12 per cent. over our State Bank paper. This settled the question at once with regard to the circulation of notes of the banks of New-York, and consequently their ability to pay agreeably to contract. Under these circumstances, the Commissioners thought it best, if possible, to rescind the contracts then recently made, and have the bonds returned to the State; and accordingly made an order directing one of their body (Mr. Stapp) to open a correspondence with the institutions above named, in order to bring about the object of the Board; and also directed him, if this object could not be obtained, to reduce the price of the stocks to 88 cents to the dollar, (being equal to 6 per cent. stock at par,) if by so doing he could get the debts well secured.

This correspondence took place, and resulted in an agreement by letter, to return the stocks as fast as they could safely do so under the embarrassed state of the country.

In August last, finding that the contract with those institutions was not likely to be carried into effect at an early day, one of our body proceeded to the city of Buffalo, for the purpose of obtaining security for the bonds sold, and partly succeeded in their wishes; getting securities that might not be ample on a forced sale, but which the member of the board attending to that business, has reason to believe, will by prudent management, save the State from loss. Our bonds sold to those institutions are deposited with the Comptroller of the State, under the new banking law, and only 60 cents to the dollars issued upon them, so that they can be redeemed for that amount. The coupons are regularly cut and delivered to the Fund Commissioners, so that the State pays no interest on those bonds.

The Merchants' Exchange Bank has thrown itself entirely on the mercy of the State, giving its bond in the penal sum of $400,000 for the return of the $200,000 of bonds when requested so to do by the State, and to secure the performance of the obligation, we have the guarantee of Sherman Stevens, Augustus C. Stevens, and Eugene Vanderventer, principal managers of the Bank. We also have from the stockholders a part of their stock in this institution, amounting to $200,000, as also a mortgage on real estate valued at $30,000, but perhaps not worth so much. We also have of their bills receivable, said to be good, to the amount of $90,832 89. These bills are in the hands of our agent and at our disposal, he is directed to handle these securities carefully for the interest of the state, without affecting too much the business of the bank. And the proceeds when collected, to be used in redeeming the bonds from the Comptroller for Indiana, six of which have been redeemed and returned to the State.

The Bank of North America has returned three bonds and made a payment in Indiana Treasury Notes, of $1,360, and given the bonds of Henry Roop for $40,000, payable as follows, to-wit: $5,000 on 20th October past, and one fourth of the residue semi-annually from the 1st day of September, 1840, until the whole is paid, with interest from the 1st July last. As collateral security for the payment of their obligations we hold $40,000 of stock of the Bank of North America, and Mortgages on real estate, valued over and above some small incumbrance thereon, at $55,000, but perhaps is not worth more than the incumbrance. We have not yet had notice of the payment of the $5,000, but have no doubt but that it is paid.

The Bank of Commerce was owned principally by Hiram Pratt, Esq. who is now deceased, leaving a very large estate. Mr. Allen, his executor, who is a man of high standing, of business talents of the first order, (who is also security to the State,) informs us that he will be able to settle Mr. Pratt's estate, and pay all the debts, and save to his family $200,000, but that nothing, excepting the interest can be paid on this debt soon. If this estate can be thus settled, (of which there is little doubt,) this debt may be considered as perfectly safe, as Pratt's estate is largely indebted to the Bank of Commerce, and is bound directly to the State. Mr. Pratt returned $15,000 of bonds to the Fund Commissioners before his death.

We therefore, as above exhibited, report a further sale of Indiana Internal Improvement Bonds, payable at the Morris Canal and Banking Company, bearing 5 per cent. interest, and dated 1st July, 1839, as follows: To the Merchants' Exchange Bank, Buffalo, $200,000, numbered 4001 to 4,200, to be returned to the State. Bank of Commerce, $50,000 of bonds, numbered from 4,201 to 4,250. And Bank of North America, $50,000 of bonds, numbered 4,251 to 4,300.

The sale of the $200,000 to the Merchants Exchange Bank will not be taken through our books or form any part of our accounts, as their obligation is given to us for the return of bonds and not for cash.

The undersigned beg leave further to report, that the Fund Commissioners, in October, 1839, entered into a conditional contract with several citizens of Madison, in this State, for the sale of $455,000 of 5 per cent. Internal Improvement Bonds, payable and dated as above, at 88 cents to the dollar, for the construction of the Madison and Indianapolis Rail-road, to be confirmed in whole or in part, or rescinded, at the discretion of this company, on the first of January, 1840; by which contract they were to pay one-sixth part of the purchase money, on the first day of March, and the same amount every sixty days thereafter, until the whole was paid. This contract was reported to the Legislature at its last session.[3]

On the 1st of January last, this company asked further time,

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[3] See above, 98-100, and *Messages and Papers of David Wallace,* 274n-75n.

(till the first of March ensuing,) for the confirming or rescinding the contract, as also for a postponement of the payment for that length of time, they still to pay interest from the 1st January, 1840; which request was granted. And on the 30th of January, they confirmed the contract, in part, so as to receive from the State $180,000 of bonds, for which they gave their obligations and collateral security for 158,400 dollars.

On the 1st March, a further time was asked, to confirm or rescind the residue of said contract, and was given to 1st July, and then extended to 1st November. On the 24th day of October, they again confirmed a part of said contract and received $41,000 of bonds, so that we report to your honorable body a sale of internal Improvement (Madison Rail-road,) bonds, of $221,000 of the bonds named in the conditional contract, above mentioned, numbered from 1 to 140, and from 201 to 241, and from 401 to 440, all inclusive.

The amount payable every sixty days by this company, on this contract, to the 1st Nov. 1840, is		$105,600 00
And on second contract, all in hand, is		36,080 00
Making in all		$141,680 00
They have paid in cash	$101,139 41	
And in estimates and drafts on Rail road	38,295 96	139,435 37
Leaving only		$ 2,244 63

to be paid on the 1st of November.

It has been reported of this company that they have been speculating in the money of the State, and on the State bonds. In justice to these gentlemen, and ourselves, we have to say, that they have not, to our knowledge, had one cent of the money of the State in their hands. Their collaterals were placed in the hands of one of the Fund Commissioners, and their collections made through him, and the money retained for the use of the State; a large portion of which was used in purchasing eastern funds for the payment of our July interest.[4]

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[4] This report was circulated in an article which appeared in the

We have made contracts for the sale of 100,000 dollars of sterling bonds, at 98 cents to the dollar, and 50,000 dollars bonds at 88 cents to the dollar, to be paid for in Treasury notes. The bonds to be delivered only on the immediate payment of the Treasury notes, which will be reported when fully consummated.[5]

The following will show the condition of the Wabash and Erie Canal and Internal Improvement Funds, including the receipts and expenditures of each, from 1st November, 1839, to 31st October, 1840, both inclusive.

Wabash and Erie Canal Fund

There was on hand and due the fund at the date of our last annual report		$306,786 29
Since which there has been received—		
For Principal and Interest, payment on canal lands		14,827 80
For Canal tolls		3,588 82
		$325,202 91
Since which there has been expended—		
For interest on State Bonds, with commission	$ 87,677 99	
For Interest on accounts	11,023 63	

Indianapolis *Indiana Democrat* on June 13, 1840. See the correspondence between Noah Noble and Nathan B. Palmer in *Messages and Papers of David Wallace,* 435-37. The final settlement of accounts between the State of Indiana and the Madison Bond Company is printed in *Documentary Journal,* 1841-42, House Doc. No. 12, pp. 403-4. This document also contains other information concerning the company and its relations with the state.

[5] In the act authorizing the issue of treasury notes there was the proviso that in case the debts and real estate designated as the means of redeeming treasury notes could not be converted into available funds for their redemption, the Fund Commissioners were authorized to sell bonds of the State for cash for their redemption, "so that the said notes shall be promptly redeemed at the expiration of the time they have to run." *Laws of Indiana,* 1839-40 (general), p. 19.

Stapp apparently skimmed over the words *for cash* in the act. See excerpts from letters from Palmer to Stapp on June 8 and 10, 1840, in *Report of the Investigating Committee Appointed by the House of Representatives (Documentary Journal,* 1841-42, House Doc. No. 12), 293-94.

For Per diem expenses of Fund Com'rs	1,055 81	
For Half years additional salary of Secretary of State	100 00	
For Clerk hire, office rent, and expenses of office	553 56	
For Construction of Wab. & Erie Canal	238,991 39	
For Expenses of Land Office	717 50	
		340,119 88
From which deduct receipts		325,202 91
Excess of expenditures		$ 14,916 97

There is due to the Fund—

From John Scott, deceased	$ 51 57
From Indianapolis Branch Bank	5,483 62
From D. Burr	5,705 18
From Morris Canal and Banking Com'py	152,275 80
From Board Internal Improvements	147,843 86
	$311,360 03

And there is due—

To State Bank	$ 67 98
To Internal Improvement Fund	177,395 66
To Wm. S. Hubbard	116 34
To Fort Wayne Branch Bank	69,010 85
To Lafayette	79,686 17
	$326,277 00
From which deduct amount due the fund	311,360 03
	$ 14,916 97

General Summary of Receipts and Expenditures of Wabash and Erie Canal Fund

There has been received since the commencement of the work—

From Road and Canal Fund	$ 1,892 45
From Sale of 1,727,000 dolls. State Bonds—proceeds	1,687,000 00
From Premium on State Bonds, exchange and interest on deposite—bal.	77,625 01½
From Sale of canal lands—deducting expenses	288,415 01
From Trespass on canal	120 00
From Canal tolls	8,612 77
	$2,063,665 24½

There has been Expended—

For construction of canal, including all expenses	$1,738,780 83½
For interest on State Bonds	339,801 38
	2,078,582 21½
From which deduct amount of receipts	2,063,665 24½
Leaving	$ 14,916 97

Internal Improvement Fund

There was on hand and due the fund at the date of our last annual report	$2,315,458 49¼
Since which there has been received—	
Proceeds of State Bonds sold	269,440 00
From Sinking Fund Commissioners	47,196 83
From Treasurer of State	263,116 93
From Sale of house in Lafayette	157 00
	$2,895,369 25¼

And there has been expended—

On account of White-water Canal	$ 287,655 49	
On account of Central Canal	389,976 32	
On account of Wabash Canal	102,077 58	
On account of Cross-cut Canal	63,513 49	
On account of Madison and Indianapolis Rail Road	139,898 08	
On account of Jeffersonville & Crawfordsville Road	110,335 90	
On account of New Albany and Vincennes Road	139,036 82	
On account of Erie and Michigan Canal	41,059 21	
On account of Wabash River	2,942 29	
On account of Indianapolis and Lafayette Road	36,619 19	
On account of General incidental expenses of Board of In. Improvement	4,629 74	
	$1,317,744 11	
On account of per diem and expenses of Fund Commissioners	1,055 81	
On account of Office, Engraving Bonds, &c.	1,294 06	
On account of interest on State Bonds	350,526 29	
On account of exchange—bal.	31,759 52	
On account of interest on account—bal.	41,198 36	
On account of compromise property	533 20	1,744,111 35
	Unexpended,	$1,151,257 90¼

And there is due—

From Wabash and Erie Canal Fund	$ 177,395	66
From Fort Wayne Branch Bank	17,104	45
From Lawrenceburgh and Indianapolis Rail Road Company	1,256	06
From Bonds and Mortgages	108,300	00
From William Hubbard	2	62
From bills receivable—for Bonds sold	628,990	25
From Morris Canal and Banking Co.	566,917	03
From Board Int. Improvement	1,290,914	47¼
From cash on hand	67,565	11
From N. M. Rothschilds	7,366	66
From Bank of Commerce	33,600	00
From Bank of North America and H. Roop	40,000	00
From Madison Company	55,044	63
From Treasury Notes on hand	12,183	68
From Michigan City Branch	3,830	00
From South Bend Branch	330	00
	$3,010,800	62¼

And there is due—

To Richmond Branch Bank	16,363	30		
To Terre Haute Branch Bank	37,955	92		
To D. Burr	2,554	00		
To Vincennes Branch Bank	38,135	51		
To Bedford Branch Bank	21,544	08		
To Milton Stapp Branch Bank	275	34		
To Madison Branch Bank	23,573	46		
To New Albany Br. Bank	53,171	12		
To Evansville Branch Bank	101,683	33		
To Lafayette Branch Bank	88,132	73		
To Lawrenceburgh Branch Bank	47,712	18		
To Commissioner of 3 per cent. Fund	701	29		
To Erie County Bank	47,500	00		
To Indianapolis Branch Bank	91,240	46		
To State Treasury	1,289,000	00	$1,859,542	72
		Balance	$1,151,257	90¼

General summary of Receipts and Expenditures on account of Internal Improvement Fund

There has been received—

From sale of State Bonds (6,235,000,) proceeds..	$6,133,100	00
From Commissioners of Sinking Fund, interest on Surplus Revenue	127,858	76
From Treasurer of State, Int. Improvement tax..	341,116	93
From Interest on deposits and exchange (balance)	92,357	38
From sale of wagon, oxen and house	262	00
From overplus drawn for R. R. Surveys replaced	272	70
Total receipts	$6,694,967	77

There has been expended—

On account White Water canal	831,368	73
On account Central Canal	1,057,444	28
On account Wabash Canal	293,876	74¾
On account Cross Cut Canal	303,744	73
On account Madison and Indianapolis R Road	1,110,588	96
On account Jeffersonville and Crawfordsville Road	262,360	01
On account New Albany and Vincennes Road	435,104	18
On account Erie and Michigan Canal	57,301	86
On account Wabash River	8,902	90
On account Indianapolis and Lafayette Road	39,323	33
On account General incidental expenses of Board of In. Improvement	31,397	45
On account Auditor's salary	1,007	34
On account per diem expenses of Fund Commissioners	6,951	24¾
On account expenses of office, engraving Bonds, &c	7,193	07¼

On account Rail-road surveys, replaced W. & E. Canal Fund	22,641 50	
On account property received of the Messrs. Cohens & Josephs	286,069 60	
On account R. D. Owen per act of Legislature	201 93	
On account interest on State Bonds	756,488 73	
On account exchange	31,743 27	
Total expenditures		5,543,709 86¾
Amount unexpended		$1,151,257 90¼

We have received from the State Treasury in Treasury Notes, $1,289,000, of which $12,183 68 remained on hand at the date to which our accounts were closed, the balance having been expended as follows:

	Am't of drafts	Interest
For White-water Canal	$ 213,806 54	$ 2,911 99
For Southern Division Central Canal	113,566 54	942 71
For Indianapolis and Northern Division Central Canal	188,870 01	2,540 05
For Cross-cut Canal	80,096 53	1,095 75
For Madison and Indianapolis Railroad	54,034 90	595 28
For Jeffersonville and Crawfordsville Road North of Greencastle	30,527 01	467 52
For Jeffersonville and Crawfordsville Road South of Greencastle	66,208 26	504 45
For New Albany and Vincennes Road	191,285 98	1,665 17
For Wabash River	501 57	6 80
For Erie and Michigan Canal	88,988 55	1,184 73
For Wabash Canal	66,121 21	619 63
For Indianapolis and Lafayette Road	24,744 74	350 96

For Wabash and Erie Canal..........	142,850 95	1,741 98
For General Incidental Expenses of Board of Internal Improvement	581 45	5 06
	$1,262,184 24	$ 14,632 08 [15,632 08]
Amount of Drafts		$1,262,184 24
Interest		14,632 08
		$1,276,816 32

All which is very respectfully submitted.

M. Stapp, }
N. B. Palmer, } Fund Commr's[6]

Indianapolis, Dec. 11th, 1840

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[6] The Fund Commissioners also submitted separate reports on the state of the public debt. There were some discrepancies between their figures which Governor Wallace took note of in his message. *Messages and Papers of David Wallace,* 460-61. The reports are given in the *Documentary Journal,* 1840-41, Senate Doc. No. 2 and House Doc. No. 10 [p. 210]. See also their reports in relation to the state bonds in *ibid.,* House Doc. No. 54 and *Senate Journal,* 1840-41, pp. 132-36 and 216-17.

The Board of Fund Commissioners created by the preceding Assembly (to which Nathan Palmer and Milton Stapp had been named) was abolished at this session and a single fund commissioner authorized, to be elected by the General Assembly for two years. It was to be his task to take charge of the suspended debt due the state from the Morris Canal and Banking Company and other corporations and companies, and of the property and business of the state in the East. He was to have the power to contract on the best possible terms in settling the debt and making such compromises as he should deem essential to the best interest of the state. *Laws of Indiana,* 1840-41 (general), pp. 214-18. Noah Noble was elected Fund Commissioner by the Assembly on February 13, 1841, and commissioned on March 1. *House Journal,* 1840-41, pp. 814-15; *Senate Journal,* 1840-41, pp. 625-26. He was elected over Mason C. Fitch, president of the New Albany Branch Bank, the final vote being 64 to 57. Noble left for New York the middle of March and remained for several months.

There was not time remaining in the session for the legislature to elect a successor to Noble on the Board of Internal Improvement; Governor Bigger appointed Philip Mason, of Fayette County, to the board on March 1, 1841, to hold office until a successor to Noble should be elected by the Assembly. Mason had been a member of the House of Representatives for three sessions. Record of Commissions, 1837-1845, p. 644, in Archives Division, Indiana State Library; Mason, *Autobiography,* 168.

Milton Stapp to Editors of the *Journal of Commerce*[1]

New York, Dec. 11th, 1840

Gentlemen—My attention has been directed to a letter of a correspondent, dated at Indianapolis, 21st November, 1840, and published in your paper of the 5th inst., in which, after speaking of "the decision of the Chancellor of the State of New York, in the case of Delafield vs. the State of Illinois," he says, "it is understood that one of the Fund Commissioners will recommend, that the State (Indiana), disown the transaction (of our Fund Commissioners, I suppose,) with the Morris Canal and Banking Company; and it is thought that the Legislature will sustain the recommendation."[2]

I do not know but that your correspondent may be correct in his conjectures about the recommendation of "one of our Fund Commissioners," yet I do not believe that he is. If, however, "one of our Fund Commissioners should recommend such a measure to the Legislature of Indiana, he will get such a rebuke from that body as will cause him to recollect them the longest day that he lives."

Our Fund Commissioners, like the Fund Commissioners of other States, have not been as particular in their negociations as they should have been; and perhaps, very properly deserve a reproof from their employers. But whatever the feelings of the people's representatives may be towards us commissioners, they are too honest, high-minded, and independent, to skulk behind an indiscretion of their agents, to avoid paying a just debt to the innocent holders of our bonds, even though the decision of the Chancellor would bear them out in the act. But this it will not do. Our bonds were sold to the Morris Canal and Banking Company on a credit, and have not as yet been fully paid. But they have passed into the hands of other men, who had no knowledge of the transaction with the Morris Canal and Banking Company, and who are what the law would term, innocent holders of our bonds.

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[1] Indianapolis *Indiana Journal,* January 2, 1841.

[2] The case referred to was brought by the State of Illinois against John Delafield, holder of some $300,000 in Illinois bonds, and was ostensibly for the purpose of preventing Mr. Delafield from parting with the bonds and placing them in other hands, where they would be binding on the state. The sale of the bonds on a credit basis to Delafield was deemed illegal, but the state would be liable for them if they passed into the hands of an innocent third party. Daniel Webster, one of the lawyers who argued the case for Illinois, declared there was nothing in the Chancellor's decision that should create alarm among Illinois bondholders. Illinois General Assembly, *Senate Reports,* Nos. 7, 35, and 50. The letter of the Indianapolis correspondent of the *Journal of Commerce* was reprinted with Stapp's letter in the *Indiana Journal.* The writer thought the Indiana bonds sold on credit to the Morris Canal and Banking Company represented a situation similar to the Illinois case, and their sale might be deemed illegal, also. The writer has not been identified.

How, let me ask, does the decision of the Chancellor operate in the case brought to view? *Hear him:* "If these securities, (State bonds) therefore, pass into hands of bonafide holders who have no notion of any irregularity or want of authority, on the part of the officers or agents of the State, who put them in circulation, the complainant (the State) is both legally and equitably bound to pay them to such holders."

Under this decision, what could be gained either to the credit of the Fund Commissioners, or to the pecuniary interest of the State, by recommending and adopting the measure proposed. Nothing but a want of intelligence of the one, and a loss of credit to the other.

But we have a higher authority to ensure good faith to the bond holders, than the decision of the Chancellor of New York; *the intelligence and integrity of the people.* Our Commissioners have sold bonds on credit from the first organization, which has been annually reported to the Legislature, without any objection whatever on their part, until the last session of that body; thereby sanctioning every contract made by the Commissioners prior to that time. Under these credit sales, from first to last, the Morris Canal and Banking Company has paid to the State of Indiana upwards of five and an half millions of dollars, and I verily believe, in time, will pay the residue which the institution owes to the State.

I am, very respectfully, Your obedient servant,

Milton Stapp,
Fund Commissioner for Indiana

Sinking Fund Commissioners: Annual Report[1]

[December 12, 1840]

SAMUEL JUDAH, ESQ., Speaker of the House of Representatives:

The Sinking Fund[2] Commissioners report their means and liabilities as follows:

Means, Expenses, &c.

Stock Loans Indianapolis branch....	31,053 25	
Stock Loans Lawrenceburgh branch	36,213 35	
Stock Loans Richmond branch......	9,080 37	
Stock Loans Madison branch	33,854 76	
Stock Loans Evansville branch......	16,571 19	
Stock Loans Vincennes branch	9,081 80	
Stock Loans Bedford branch	18,202 15	
Stock Loans Terre Haute branch ..	17,123 35	
Stock Loans Lafayette branch	21,573 55	
Stock Loans Fort Wayne branch....	32,183 26	224,937 03
Bank Stock		880,000 00
Current Loans of Sinking Fund		633,662 75
Cash balances of Sinking Fund		
Indianapolis branch	2,541 56	
Lawrenceburgh branch	1,698 83	
New Albany branch	9 70	
Vincennes branch	45 00	
Lafayette branch	406 38	
South Bend branch	44 62	
Michigan City branch	369 68	
S. Merrill, Pr.	48 75	
R. Morrison, Com'r	1,119 78	
G. P. Buell	70 00	
Principal repaid, &c	9,347 25	15,701 55

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[1] *Documentary Journal,* House Doc. No. 11.

[2] The Sinking Fund was created by the act establishing the State Bank. *Laws of Indiana,* 1833-34, pp. 35-36. See also *Messages and Papers of David Wallace,* 203n-4n.

Total of means from the loans made under the charter	1,754,301 33
Bank Stock from Sur. Rev.	419,950 00
Surplus Fund from Sur. Rev.....	30,479 51
Loans on Sur. Rev. Mortgages..	124,718 97
Principal repaid, &c.	4,322 92
Bank Stock from Loan of 1839..	20,000 00
Total	$2,353,772 73
Expenses of making Loans	4,799 14
Expenses of transporting of specie..	2,100 69
Current expenses Sinking Fund....	8,415 60
Interest on State Bonds	369,009 13
Commission on payment of Interest	173 75
Interest and premium	14,065 16
Current expenses Surplus Revenue	3,628 85
Transportation of specie	1,031 28
Payments to Canal Fund Commissioners	137,346 02
Interest and premium on Loans of 1839	639 11
	$2,894,981 46

Liabilities, Receipts, &c.

State Bonds for Bank	1,390,000 00
U. S. Surplus Revenue from Treas'r of Ia.	573,660 11
Part of Loan of 1839	20,000 00
Premium on State Bonds	29,496 92
Bank Stock Dividends	497,710 96
Interest on Stock Loans	66,995 93
Interest on Current Loans	140,807 96
Dividends on Surplus Revenue Bank Stock	80,832 90
Interest from Surplus Revenue Loans	93,284 78

Dividend on Stock of 1839		966 66
Blank Mortgages		116 67
Damages		65 00
Cash balances		
Commissioners Canal Fund	28 92	
Richmond branch	12 67	
Bedford branch	994 15	
Madison branch	7 83	1,043 57
		$2,894,981 46

From the foregoing table it will be seen that the State of Indiana is the owner of the following items:

Bank Stock	$1,319,950 00	
Estimated value of the state's share of the surplus fund in the Bank, allowing $90,000 for bad debts	100,000 00	
Stock loans, all secure	224,937 03	
Current loans of Sinking Fund and Sur. Rev. on which the interest unpaid will guaranty all losses of principal	758,381 72	
Cash on hand or in Mortgages not yet reported	20,024 47	
Total	$2,423,293 22	
Payments to the Canal Fund Commissioners	137,346 02	
	$2,560,639 24	
The means from which the above has been realized are State Bonds under the Charter	$1,390,000 00	
Two instalments of Surplus Revenue from Treasurer of State	573,660 11	
Part of loan of 1839	20,000 00	1,983,660 11

So that the State has actually realized from the Bank	$ 576,979 13

while only State Bonds and one instalment of Surplus Revenue have been advanced.

On the 23d of May last the lands of fifty-six borrowers were exposed to sale for non-payment of interest. In seven of the cases sales were made; in the others, the lands were struck off to the state for want of bidders. Eight of the tracts not sold have since been redeemed. There are still unredeemed, nine tracts in each of the counties of Marshall, Warren and Tippecanoe—two in each of the counties of Cass, Marion and Ripley—and one in each of the counties of Laporte, White, Shelby, Daviess, Carroll, Hamilton, Montgomery and Hendricks. Most of these mortgaged premises have either been personally examined or such enquiries have been made respecting them as to give assurance that the money will be eventually secure. Where the mortgagors are solvent, recourse will be had to their Bonds and in this way several of the loans can be collected without waiting for a sale of the lands. By a false certificate of Jeremiah Muncy, late clerk of Marshall county, his mortgage was taken for $500, while there was a lien on the land mortgaged. This lien has been removed at the expense of $250, but the land is so valuable that very little if any loss will be sustained. It is understood that two tracts in Warren county and one in Clay, were appraised so much above their real value that they are not a sufficient security for the sums loaned. Only one of them has yet been offered for sale and struck off to the state and this has two obligors in the bond, one of whom is solvent.

From the best information which the Commissioners of the Sinking Fund can obtain there will not be any considerable losses. The loans of the year 1835, are now being generally renewed by the payment of one fifth of the principal, which with the funds coming from other sources, will be loaned in those parts of the state which have not heretofore been accommodated.

The Surplus Revenue loans have been called in as opportunities offered and the avails vested in Bank stock.

S. MERRILL,
R. MORRISON,
C. FLETCHER,
G. P. BUELL,
J. WALKER,
President and Commissioners of the Sinking Fund

SINKING FUND OFFICE,
Dec. 12, 1840

Treasurer of State to the Senate: Report on Salary[1]

TREASURER'S OFFICE,
INDIANAPOLIS, Dec. 14th, 1840

HON. S. HALL, President of the Senate:

In obedience to a resolution of the Senate of the 10th inst.,[2] in relation to the salary and fees of the Treasurer of State and others, the undersigned herewith communicates the following statement of the several items of allowance to the Treasurer of State for the past year, viz:

Salary as Treasurer of State	$ 400 00
Salary as Superintendent of the State House	150 00
Salary as Superintendent of the Loan Office	75 00
Salary as Agent of the 3 per cent. fund	100 00
Three-fourths of one per cent. on outstanding loans in the several departments of the Loan Office	792 92
	$1,517 92

There are no fees charged for any services in this office. All the Patents of College Lands, Saline Lands, &c., are made without charge.

Very Respectfully, Your obedient servant,

N. B. PALMER, Treasurer of State

P. S. It is proper to say that under the act of 1837, in relation to the Surplus Revenue, the Treasurer was authorized to expend $500 per annum for Clerk hire; but this amount is $300 less than the Treasurer has actually paid out per annum—the balance being paid out of the private funds of the Treasurer.

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[1] *Senate Journal,* 1840-41, pp. 49-50.

[2] *Ibid.,* p. 30. See above, 128n-29n, and House report and Assembly action, below, 165-71.

Auditor of State to the Senate: Report on Salary[1]

Auditor's Office, December 15, 1840

To Hon. Samuel Hall, President of the Senate:

Sir: In obedience to a resolution of the Senate[2] requiring the Auditor of Public Accounts, Secretary and Treasurer of State to report the amount of their salaries and perquisites of office for the past year, the Auditor has the honor to submit the following statement as regards his own compensation, viz:

The stated salary of Auditor per annum is $400 00

(See Revised Code of 1838, page 90.)

For his services in keeping the like books of accounts, Tract-books, Maps, &c., as those kept by the Canal Land Commissioner, including the accounts with each individual purchaser of canal lands for annual payment of interest and principal on each tract sold 100 00

(See acts of 1830, page 16.)

For keeping accounts with Fund Commissioners, as checks upon those officers 50 00

(See acts of 1835, page 30.)

For his services in keeping books of account against the Board of Internal Improvement with each member of the Board, the account of the cost of each work, such sum as is allowed annually to the clerk of the Fund Commissioners, which for the last year was 750 00

The Auditor under the acts providing for the sale of lots in Indianapolis, is entitled to one half of one per cent. on all monies paid into the Treasury by purchasers of lots, for his services in keeping accounts against the Agent of the town of Indianapolis, which during the last year amounted to 14 35

(See acts of 1831, page 69.)

It is made the duty of the Auditor to procure from the respective land offices the lists of lands taxable for the first time for each year. For this service he has himself received nothing, having uniformly given the same amount for copying for the respective counties as was charged at the land offices, this being the course pursued by his predecessor.

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[1] *Senate Journal,* 1840-41, p. 61.

[2] *Ibid.,* p. 30. See above, 128n-29n, and House report and Assembly action below, 165-71.

(See Revised Code of 1838, page 90; also acts of 1831, page 175.)

Respectfully submitted,

M. MORRIS, A. P. A.

Supreme Court Judges to Senate Committee: Report on Revision of Laws[1]

[December 18, 1840]

TO THE HON. JOHN HARGROVE, chairman
of a select committee, &c.

SIR:—Your note of the 17th instant, requesting information respecting the progress we have made in a revision of the statute laws,[2] has been duly received.

In answer to your inquiry we have to inform you, that we have been so constantly engaged in the business of our Court, since the Legislature honored us with the appointment to which you allude, that we have not been able to commence the revision, and that we have no hope that it will be in our power, within any reasonable time, to prepare it.[3]

Very respectfully, Your obedient servants,

ISAAC BLACKFORD,
CHARLES DEWEY,
JER. SULLIVAN.

INDIANAPOLIS, 18th December, 1840.

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[1] *Senate Journal,* 1840-41, p. 91.

[2] A joint resolution of January 28, 1839, requested the judges of the Supreme Court to prepare a collection of the general laws and statutes of the state. *Laws of Indiana,* 1838-39 (local), p. 344.

[3] The Assembly relieved the judges of the Supreme Court of the task by passing an act authorizing Governor Bigger "to prepare a compilation and revision of the general statute laws of this state, and to suggest such amendments and alterations in any of said statutes, and to propose such additional ones as he may deem proper, with a view to the adoption and enactment by the legislature, of a full and complete code of general

Chief Engineer to the Senate: Report on Whitewater Canal[1]

CHIEF ENGINEER'S OFFICE,
INDIANAPOLIS, Dec. 21, 1840

TO THE HONORABLE SENATE OF
THE STATE OF INDIANA:

In reply to a resolution of the 18th inst, requiring the Chief Engineer to "report the condition of that part of the White Water Canal lying between Brookville and the Laurel feeder dam; the amount expended in its construction; the amount required to complete the same; the number of locks, and their condition, from their exposure to dilapidation in the unfinished state of the canal between those points;" the undersigned respectfully submits the following statement:

The distance from Brookville to the Laurel dam, is fourteen and one-third miles.

The total cost, at contract prices of this portion of the line, is estimated at	$315,819 00
Of which there is already done	200,356 00
Leaving the amount of work to be done	$115,463 00

The earth-work on this portion of the line, is about three-fourths done; several of the locks, of which there are eleven in the whole distance, are nearly completed; and of the others, the foundations are laid, and in many cases the masonry commenced.

The dam at Laurel is about half done; the aqueduct at Duck creek about one-third done; and several of the culverts are completed, and others in a state of forwardness.

If funds were provided in season, the whole distance might be completed and opened for navigation by next October.

The foundations of the locks, having been constructed, with a

laws. . . ." This was to be completed as soon as possible, but not later than the second Monday of December, 1842. Bigger's compensation was to be such as the legislature might hereafter see proper to allow him. *Laws of Indiana,* 1840-41 (general), p. 150.

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[1] *Senate Journal,* 1840-41, pp. 95-96.

view to their speedy submersion, of such timber as could be most conveniently procured, without regard to its durability in a dry state, are peculiarly liable to decay, while the canal is left dry; and it is obvious, that when the foundations of the finished, or partially completed locks become decayed, the heavy expense of reconstructing the superincumbent masonry must be incurred, in addition to the mere replacement of the timber foundation.

The dam has already received some injury from floods, and is constantly exposed, in its unfinished state, to additional injury from the same source, more particularly when the floods are accompanied with ice. The unfinished culverts are also liable to injury or destruction from similar causes. The soil through which this portion of the canal is made being of a sandy and gravelly texture, the unfinished excavations have in some instances been partially filled up by the washings of heavy rains, and portions of embankment have been washed away; and this species of injury must continue to a greater or less extent until the banks are finished with their proper slope, and the usual protection placed upon them in exposed situations.

Respectfully submitted,

J. L. Williams, Ch'f Eng'r.[2]

Chief Engineer to the Senate: Report on Wabash and Erie Canal[1]

Chief Engineer's Office,
Indianapolis, 22d Dec. 1840

To the Hon. Senate of Indiana:

The undersigned has received a copy of the resolution adopted by the Senate on the 21st instant, requesting to be informed "how many superintendents are employed on the Wabash and Erie canal, and the salaries or per diem allowance paid them."

As the most satisfactory reply to the resolution, I append a copy

[2] This report was submitted to the committee on classification of the public works. See below, 160-65.

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[1] *Senate Journal,* 1840-41, pp. 104-5.

of an order recently adopted by the Board in relation to this subject.

Respectfully submitted,

J. L. WILLIAMS

[Enclosure]

OFFICE OF BOARD OF INTERNAL IMPROVEMENT,
December 7, 1840

The Board having under consideration the future care of the Wabash and Erie canal, from the State line to Lafayette, it is

Ordered, That the whole distance of 144 miles be divided into two superintendents divisions, dividing at Mr. Fisher's farm, five miles below Wabash town, and that O. Bird be appointed superintendent of the upper division, (in the place of J. Darrow resigned,) and R. Adams, of the lower division, whose duty it will be to travel over the line as frequently as time will allow, for the purpose of regulating the water, guarding against breaches, and promptly repairing them when they unavoidably occur, under the general advice of the Commissioner or Engineer, each to receive $3 per day while actually employed not to exceed $1,000 per year, which is to cover all travelling and other expenses.

Seth M. Levenworth to the Senate:

Report on Leavenworth and Bloomington Railroad[1]

[laid before the Senate December 24, 1840]

TO THE HONORABLE LEGISLATURE OF THE
STATE OF INDIANA, at Indianapolis convened:

GENTLEMEN—According to the requisition of the Leavenworth and Bloomington rail-road act of incorporation, it becomes my duty to make the following report:

Since the last sitting of the Legislature, the company have neither received or expended any amount of money. The county commissioners of Crawford county and the citizens of the town of Leavenworth have appropriated sufficient funds to grade the river bank, and the road through the town, which is in progress.

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[1] *Senate Journal,* 1840-41, pp. 105-6.

We still have to regret taxation upon us, to pay for re-surveying and constructing many expensive and extensive Internal Improvements in the State, some of which are injurious to us, whilst we are left to make our own, without any State aid, all of which we think oppressive.[2]

SETH M. LEAVENWORTH,—Pres.

State of Indiana, }
Posey County } ss

Personally appeared before me the undersigned a justice of the peace in foresaid county, the above named S. M. Leavenworth, being duly sworn, saith that the foregoing report is true, as it respects receipts and expenditures of money, and further saith not.

J. B. GREEN, J. P.

Agent of State to the House of Representatives: Report on Sale of Indianapolis Lots[1]

AGENT'S OFFICE, December 29, 1840

In obedience to a resolution of the House of Representatives, adopted on Saturday last, requiring the Agent of State, for the town of Indianapolis, to report the number of lots unsold, with their probable value—the amount due the State for lots previously sold, and the number of lots sold and paid for, the titles for which have not been made, the following statement is respectfully submitted.

There remain unsold lots, No. 8, 9, 11 and 12 in out lot No. 147, estimated value	$1,575 00
The balance of out lot No. 147, worth say	5,200 00

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[2] The Leavenworth and Bloomington Railroad Company had been incorporated February 1, 1834, to build a railroad between those two points; the company never succeeded in obtaining state aid for their venture. *Messages and Papers of Noah Noble,* 365-67n.

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[1] *Documentary Journal,* 1840-41, House Doc. No. 44. The money received from the sale of these lots could be used only for the erection of public buildings for the state. In asking for the report, the legislators may have been thinking of the need for new buildings at the State Prison.

Total estimated value of unsold lots, exclusive of "Reservations"	$6,775 00
There will be due in 1841, for lots sold	$2,766 86
There will be due in 1842 for lots sold	2,823 11
Total derivable from former sales	$5,589 97

There are *eighty nine* lots for which the State has received full payment, and for which there have been no titles issued.

In addition to the above unsold lots, there are the following "Reservations."

The south half of square forty eight.

"The governors Circle."

Square twenty five, reserved for a "University."

Square twenty two, reserved for an "Hospital."

Out lots No. one hundred and forty five, and one west of White river, reserved for the Ferry over White river.

THO. H. SHARPE, Agent

William Berry to Editors of Bloomington *Post*[1]

SENATE CHAMBER
INDIANAPOLIS Dec. 29th 1840

MESSRS. DEAL & BROWN:

Near four weeks of the present session of the Legislature have passed off, without any thing of a general nature, in which the people at large are interested, having been done. So far, all the business that has been acted upon definitely in either House, has been of a private and local character. The more important matters, in which the interest of the State and people are involved; are yet in the hands of the various Committees, to which the subjects were referred, and which will, no doubt, in a short time, be reported to the respective Houses for their consideration and definite action. The apportionment of Senators and Representatives for the next five years, is a subject of much interest, and has created considerable excitement and feeling. There is a diversity of opinion, both in regard to the ratio of representation and the formation of districts, some contending for the present representation and others for a reduction. The Committee of the Senate, to which this subject was referred, was instructed to report a Bill reducing the number of Senators to *forty*, and the Representatives to *eighty*, as near as practicable. Thus giving them a latitude which will eventuate in a report and recommendation of the present number of Representatives and Senators, beyond any doubt, if not an increase of Senators, so as to make that body *fifty* in number, instead of *forty-seven*. The ratio of representation spoken of is 2500 by some, and 3000 by others, for the Senate, from 1250 to 1500 for the House of Representatives. On the abstract question of reducing the number of members, I am inclined to think there is a majority, which was clearly indicated on the part of the Senate, by a vote taken a few days since. My opinion, however, is that when we come to apportion and form districts, there will be considerable changing of opinion. All are willing for reduction, provided their respective counties and districts can be made to retain their present number of Representatives, which in a case of reduction, in many parts of the State, would be utterly impossible. The whole number of votes of the State is computed at one hundred and twenty-five thousand. What will be done in this matter eventually, time only can determine. I am inclined to think, however, that Monroe and Brown will constitute a Senatorial district, and have one Representative. Monroe will lack but a very few votes of having enough to sustain her present representation if there is a reduction.[2]

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[1] Bloomington *Post,* January 1, 1841. Berry was in his second session as state senator from the counties of Brown and Monroe. A Democrat, he had previously represented these counties in the House for two sessions.

The financial concerns of the State are in a most deplorable condition, and will require the best management of our most able financiers, together with the most judicious legislation, to extricate the State from her embarrassments, and to preserve her credit and honor untarnished. Many propositions have been submitted by way of resolutions on this subject, all of which, if carried out, I fear would fail to have the desired effect. One popular proposition, at present, is to authorize the State Bank of Indiana to issue Bills of the denomination of one, two, and three dollars, to the amount of a million or more of dollars. The propriety of this measure, to say the least of it, is questionable, and the more particularly so, unless there be a corresponding increase of the Bank capital to justify such an issue; in which case, an increase of the Bank issues would be far preferable in five dollar Bills and upwards.

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[2] See Governor Wallace's remarks on reapportionment in his *Messages and Papers*, 456-57. He recommended a House of only sixty members and a Senate of only thirty for both efficiency in transacting business and economy. The reapportionment bill enacted by the Assembly did not reduce the membership, but provided for a House of one hundred members and a Senate of fifty. *Laws of Indiana*, 1840-41 (general), pp. 48-50. By this act Monroe and Brown counties elected one joint senator; in odd-numbered years they were to elect a joint representative, while in 1842 and 1844 they were to elect two representatives.

The subject of electing Congressmen by general ticket, is a matter of no small importance to the community at large, the subject was introduced into the House of Representatives, by resolution, but upon which no action, other than its reference has taken place.

The House has passed a joint resolution instructing our Senators, and requesting our Representatives in Congress to support a repeal of the Independent Treasury Law.[3] A joint resolution is now pending before the House, instructing and requesting our Congressmen to favor the establishment of a United States or National Bank.[4] The Senate have a Bill before them authorizing the Governor of this State, in case of a called session of Congress, to issue his proclamation for an election of Congressmen, to meet the exigency, should it arise.[5]

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[3] This joint resolution was passed by the Senate and approved. *Laws of Indiana,* 1840-41 (local), p. 219. After government deposits were removed from the Second United States Bank, they were placed in private or "pet" banks. This did not prove satisfactory and an act, approved July 4, 1840, set up an independent treasury. This act was repealed August 13, 1841, but re-enacted in 1846. *Dictionary of American History* (5 vols. + Index, New York, 1940), 5:196.

A protest against the joint resolution was spread upon the journal of the House (pp. 210-12). It was signed by thirteen members, two of whom were Whigs, the rest Democrats.

[4] This joint resolution was passed and approved. *Laws of Indiana,* 1840-41 (local), p. 222.

On the subject of Internal Improvements, a committee of nine members of the Senate have been appointed. Composed of men from counties through which none of the public works pass, and who have no direct or personal interest in them, for the purpose of recommending to the Senate, what work or works shall first be prosecuted to final completion. This committee called the modifying committee, has been organized and is occasionally holding meetings for the last two weeks, but as yet have made no report of their deliberations. A report, may however, be looked for in a very short time.[6]

The committee appointed last winter to investigate the condition of the University at Bloomington has not yet reported; but will in a few days, as I am informed by the Chairman. The report will be favorable to the institution and its location, and will recommend a reorganization and reduction of the Board of Trustees, (from twenty-one,) to eleven, and prohibiting more than one member from any one county.[7]

The great and leading question is, what shall, or can be done to relieve the people and the State, from the embarrassments they are now laboring under. It is one of vital and all absorbing interest, and thrusts itself upon us, and of necessity, demands our most serious and undivided attention. It is one that causes every consideration of minor importance, to dwindle into comparative insignificance—the character and honor of the State should be, and I hope are regarded as above all price, by those who are directing the operations and destinies of our rapidly growing and industrious community. What measures may ultimately be adopted, belongs to the future, to reveal.

Very respectfully your obedient servant,

William Berry

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[5] *Ibid.,* 1840-41 (general), p. 144. See Proclamation, below, 235-36.

[6] For the makeup of the committee and its report, see immediately below.

[7] See report below, 200-5.

Report of Senate Committee on Classification of Public Works[1]

January 1, 1841

. . . .

It is now five years since the passage of this act, and six millions eight hundred and five thousand eight hundred and ninety-four dollars have been expended without the completion of a single work, or the accomplishment of any of the objects designed by the framers of the system. The modifications which the original act has undergone since its passage are considerable, but not enough, as your committee conceive, for the public good. The most important of these modifications, was in the reduction of the number of the board of Internal Improvement, first from nine to three, and subsequently to two members; thereby destroying in some degree the force of the representative principle in the Board of public works. But while the same combination of interests exists, to which the act establishing the system owes its origin, your committee apprehend great mischiefs from entrusting a Board with unlimited discretion in the application of the sums appropriated to the several works; more especially when we consider that this Board owe their appointment to the legislature in which their various interests are represented, and are subject to instantaneous removal if a majority of the members representing those interests should be offended by a concentration of the public energies on any given work.

By the original act establishing the system, the Fund Commissioners were invested with power and required imperatively to borrow on the State stocks, sums of money sufficient to meet the requisitions of the Board of Internal Improvements, not exceeding the sum of ten millions of dollars appropriated by the original act. In pursuance of this act, they have sold bonds to the amount of eight millions one hundred and eighty-five thousand dollars for the prosecution of the system; of which sum one million eight hundred and sixty-six thousand, eight hundred and fifty-seven dollars has not been realized, and is in a very precarious situation.

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[1] *Documentary Journal,* 1840-41, Senate Doc. 6. Committee members were selected from counties not benefited by the internal improvement act of 1836. James H. Cravens of Ripley County was chairman; other members were Johnson Watts of Dearborn, William G. Armstrong of Clark, James Blair of Vermillion, John F. Carr of Jackson and Scott, G. Burton Thompson of Perry, Spencer and Crawford, Joseph C. Eggleston of Switzerland, Horatio J. Harris of Carroll and Clinton, and Joseph Lowe of Rush, James Morgan of Decatur, and Joseph B. Nickel of Shelby, six Whigs and four Democrats.

The majority report of the House committee on canals and internal improvements and the minority report of a select committee of the House on classification are given below, 180-93.

Of the sum originally appropriated six millions eight hundred and five thousand, eight hundred and ninety-four dollars have been expended. By adding the sum of four hundred thousand dollars, subsequently appropriated to the Madison and Indianapolis Rail-road, to the amount of ten millions originally appropriated to the public works, and deducting the amount expended on them, as stated above, we find the balance of unexpended appropriations on the public works to amount to the sum of three millions, five hundred and ninety-four thousand one hundred and six dollars.

An opinion has very generally prevailed through the community, that the act of last winter for the relief of contractors,[2] prohibited the Fund Commissioners from making any further sales of State Bonds to meet the requisitions of the Board of Internal Improvements for the prosecution of the public works. On a careful perusal of this act, your committee have not been able to discover any such provision. Nor do they find any prohibition restraining the Board of Public Works from making additional lettings to the extent of the unexpended appropriations. The act last alluded to offers a bonus to the present contractors to relinquish their contracts, and provides for the issue of one and a half millions of dollars in Treasury Notes, directing the manner of their issue and payment to the contractors, and provides for their ultimate redemption. This is the sum of the provisions of this act. Another act of last session reduces the number of the Board of Internal Improvements and Engineers, but it is also void of any prohibition as to the making of new lettings or the sale of State Bonds to the extent of the original appropriations.[3]

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[2] This is the act which provided for the issuance by the state of treasury notes to the aggregate amount due contractors and others engaged on public works. *Laws of Indiana,* 1839-40 (general), pp. 17-21.

[3] *Ibid.,* 51-52.

On a careful examination of the whole subject, your committee discover the Board of Internal Improvements are as much unrestrained by enactments as they ever were. It is true that prior to the last session of the Legislature, the Fund Commissioners were unable to make such sales of the State Bonds as were requisite for the operations of the Board of Internal Improvements; in consequence of which, said Board issued an order temporarily suspending further operations on the public works. The legislation of last winter adapted itself to this state of facts; dispensing with the services of certain officers who had become useless, and dismissing, as far as practicable, the contractors for whom no pay had been provided. In the present state of our enactments, your committee conceive, that it requires nothing but an improvement in the stock market to renew operations on the public works on the old plan of a simultaneous prosecution of all the works. By the laws now in force, the original appropriations remain on the different works, and the Board of Internal Improvements are invested with full authority to make requisitions on the Fund Commissioners to meet those appropriations. Your committee can scarcely conceive a greater political calamity than the happening of such an event. The only means which suggests itself to your committee, by which so great an evil may be averted, is the plan proposed by which a portion of the unexpended appropriations is diverted from the works on which those appropriations now are, and applied to the two of the works which are likely to prove most productive. By this means whenever operations are renewed, two works may be completed and a large interest detached from the System of Internal Improvements. Your committee, after considering the resources of the State, (both present and prospective,) consider it certain, that the State credit will revive in the course of a few years, so that bonds may be sold on terms as advantageous to the State as formerly; on the happening of which event, the existing laws direct a prosecution of the works to the extent of the appropriations. But your committee hope that the experience of the last few years, has taught us the necessity of concentrating the energies of the State on a single object, instead of practising on that system of wild enterprize by which every thing is begun and nothing completed. Your committee are deeply impressed with the belief, that the completion of two of these works are as much as the State can accomplish, and that these works are not likely for some years after they shall have been finished, to yield a sufficient profit to keep down the interest on the cost of their construction. But, on the other hand, your committee see the necessity of diverting the existing appropriations from works which are impracticable to those which are practicable; from works which are useless to those which are *comparatively* useful. The expediency of thus diverting these appropriations will be seen, by reflecting, that under the existing laws a large amount of the unexpended appropriations must be applied to works which are but slightly advanced; and if expended on these works, would leave them in a condition as remote from completion, as are the works named in the first and second classes of the bill herewith reported.

Your committee have thought it best to divert the appropriations from the works named in the third class, (in the bill here with reported,) and apply so much thereof as may be necessary to the completion of the works named in the first and second classes, and to leave the works in the third class to be provided for by future legislation, if it should be thought expedient.

Your committee feel deeply impressed, however, with the opinion that it is expedient for the State forthwith to surrender, on the best terms practicable, the unfinished portions of the works named in the third class to such companies as may be formed for their completion, reserving to herself the completed parts of those works. Your committee would have no objection to the sale of the *finished* portions of those works, if the purchasers thereof could be relieved from the incumbrance on them imposed by the act of 1836. The profits of the works, by the terms of that act, are pledged for the payment of the public debt. Unless that incumbrance be removed, a sale of the finished portions of those works would be impracticable. The work named in the first class, besides being cheaper (its importance considered,) than any other work named in the system, is in such a situation, that it would cost the State nearly as much to abandon as to complete it;[4] a large portion of the line above Brookville is in an unfinished condition, and the lettings made on it can only be annulled by the payment of heavy damages to contractors. A great number of farms have been materially injured, as your committee have been informed, by the work which has been commenced, &c.

To abandon this work in its present condition would be to lose not only what has been expended, but to incur great additional expense in payments which would have to be made to the persons whose farms are injured by it. Should the State continue the work, the benefits conferred by it on those persons would be held as compensation for the injury sustained, and in most cases these advantages would be considered an adequate compensation.

The same reasoning will apply to the work named in the second class of the bill herewith reported, but with diminished force, as your committee are constrained to admit. It would be difficult for the State to abandon this work without incurring an expense nearly as great as by completing it. The present contractors on the work have refused to suspend their operations, and the State has no power to compel them to surrender their contracts. Your committee do not expect this work to yield the interest which the State must pay on the whole cost of its construction. Nor have they been able to convince themselves that the work will ever yield an annual sum sufficient to keep down the interest on the sum necessary to complete it. But, when the losses which the State will have to make good to the contractors and landed proprietors, in the event of the work being wholly abandoned are taken into consideration, a majority of your committee are of opinion that the prosecution of this work as far as Indianapolis, would be perhaps less ruinous than its total abandonment. And the whole committee concur in the opinion that it would be better for the State to apply so much as may be necessary of the unexpended portion of the ten millions of dollars appropriated by the act of 1836 to this work, than to suffer those appropriations to be wasted on works which they cannot complete. If, by thus diverting former appropriations, the country immediately interested in the prosecution of this work could be detached from the whole system and be left free to act for the best interest of the State at large, your committee think the policy of placing this work in the second class and securing its ultimate completion, by applying to it a sufficiency of the appropriations above referred to to complete it, admits of no doubt.

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[4] The reference is to the Whitewater Canal. The provisions of the bill presented by the committee for classifying the works are given in the Indianapolis *Indiana Journal,* January 9, 1841. It placed the Whitewater Canal in the first class, the Madison and Indianapolis Railroad in the second, and all others in the third.

Your committee therefore report the following bill, and recommend its passage.[5]

Report of House Committee on Salaries of State Officers[1]

[January 1, 1841]

Mr. Speaker—

The select committee to which were referred a resolution of this House in relation to the salary of Auditor, Treasurer and Secretary of State, also the reports of said officers, upon the subject of their salaries,[2] have devoted as much time to said subjects

[5] The bill (S.B. 55) was read twice and ordered printed. On January 4 Senator Eggleston of Switzerland County introduced a second bill (S.B. 62) to suspend the prosecution of the public works until they were classified, etc. It, too, was read twice and then referred with amendments to Cravens' committee on classification, which reported it back to the Senate on January 12 under the same number but with a different text. The select committee of the House on classification reported a bill on January 13 (H.B. 186). See minority report below, 190-93. During the month that followed before adjournment still other bills were introduced; amendments were offered by the score, and every conceivable proposition was brought forward. According to the *Journals* of the House and Senate, it was S.B. 62 that was finally enacted; according to the Indianapolis *Indiana Democrat* it was H.B. 300 (both may have ended up with the same provisions). Disregarding its origin, the measure, as noted earlier, placed the Whitewater Canal from Brookville to Connersville, the Madison and Indianapolis Railroad from Vernon to Edinburg, and the improvement at the Grand Rapids of the Wabash below Vincennes in the first class, and the remainder of the public works in the second class. See above, 115n.

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[1] *House Journal,* 1840-41, pp. 231-35.

[2] The committee was composed of Mason, Conwell, and Clark. See above, 128-30, 149, 150-51.

as their other duties would permit, and now ask leave to make the following Report:

That they have examined each, the report of the Auditor, Treasurer, and Secretary of State, as referred to them; the committee have compared said reports with the several legislative enactments which are believed to be now in force, and find said reports to be correct, and have directed me to report them back to the House, with the following references, to-wit:

Salary of Auditor of State.

His annual salary—See Revised Code of 1838, page 90, sec. 8	$ 400 00
On account of Wabash Canal Lands—See acts of 1830, page 16, sec. 9th	100 00
On account of Wabash Canal Lands—See acts of 1835, page 30, sec. 21st	50 00
On account of Internal Improvement—See Revised Code of 1838, page 36, sec. 16	750 00
On account of lots in the town of Indianapolis—See acts of 1831, page 69, sec. 20	14 00
	$1,314 00

The amount received by the Auditor on account of Internal Improvements is made to depend upon the amount that the fund commissioners pay the clerk in their office, which the committee learn has been for each of the two years last past to have been the amount above specified.

The Auditor receives in addition to the foregoing, an amount for furnishing the several counties with tract books—(see acts of 1831, page 175, a joint resolution)—which amount is to be equal to the amount paid at the land offices for like tract books. The amount that the Auditor receives annually for this service, your committee have not been able to learn, though the information has been specifically called for; but your committee are of opinion that the amount annually received for this service is variable.

By an act approved February 24th, 1840, the Auditor is required to perform certain duties in relation to the Michigan Road

Lands, and to file his claims and vouchers for said services before the committee of ways and means of this House for the present session, and to be by them audited and to be paid out of the Treasury, as the report required by the foregoing act, to be made by the Auditor, to this House, has not yet been made. The committee have no means to determine the amount that the auditor is entitled to receive for these services.

Salary of Treasurer of State.

His annual salary—See Revised Code of 1838, page 92, Sec. 17	$ 400 00
On account of care of State House—See acts of 1836, page 87, sec. 17	150 00
On account of three per cent. fund—See acts of 1835, page 75, sec. 4	100 00
On account of loan office—two accounts—one of	75 00
The other of	792 92
(See Revised Code of 1838, page 184, sec. 17.)	
On account of surplus revenue, for clerk hire—See Revised Code of 1838, page 477, sec. 1st	500 00
	$2,017 92

It may be proper to say that the item in the above account of $792 92 is said to arise from 3-4 of one per cent upon the whole amount of funds in the loan office. The committee not being in possession of the amount of the funds of said office, are not able to speak of its accuracy, but have no doubt from the known character of the officer having the funds in charge, of its correctness.

The committee think it proper to say, that in addition to the foregoing compensation allowed the Treasurer, he is entitled to occupy as a residence, the property of the State, designed for that purpose.

It may not be improper to call the attention of the House to the fact, that the legislature by an act passed at their last session, made the Treasurer of State a Fund commissioner, and it is the opinion of your committee, that he will be entitled to receive pay at least for a large portion of the time he was employed in the discharge of the duties, appertaining to that duty.

Salary of Secretary of State.

His annual salary—See Revised Code of 1838, page 557 sec. 8	$ 600 00
On account of State Library	150 00
On account of Wabash and Erie Canal Lands	100 00
On account of Superintending Public Printing, &c.	200 00
(For these three last items see Local Laws for 1838, page 442)	200 00
On account of clerk hire—See General laws 1839, page 59, sec. 2	200 00
	$1,250 00
For perquisites as set out in his report, referred to the committee	150 00
	$1,400 00

Which amount is made up from the following items, to-wit:

For copies of records and papers per sheet of one hundred words, twelve and one half cents. For every certificate and seal, fifty cents. (For these two last named items, see Revised Code of 1838, page 294.) For every Michigan road patent issued by him, the sum of fifty cents. For every patent made for Wabash and Erie Canal Lands, the sum of one dollar. (See acts of 1830, page 16, section 8th.)

The perquisites of this office are paid by the person for whom the service is rendered; and must always be fluctuating and uncertain. Though the fees for granting Michigan Road Lands must soon cease, while fees for making patents for Wabash Canal Lands must be constantly on the increase, as the final payment upon the first sold lands may be expected, and the individuals paying up desiring the perfecting their title.

The Auditor and Treasurer of State are each required, under an act passed at the last session of the legislature, to perform certain duties in relation to the issue of Treasury notes, for which no compensation is provided. Said services consist of making 150,000 entries of the $5 00, and 1,500 of the $50 00 scrip; filling 6 large volumes, containing 27,500 entries of each, occupying, as your committee is informed, four months of the time of each of said officers.

The committee deem it unnecessary to pursue this inquiry further, believing that the House will readily concur in opinion with the committee, that the law upon the subject of salary of officers of the State Departments, needs revision and important amendments. The duties in the Auditor's office, and that of the Treasurer, have become so voluminous, and by the acts of the present session, likely to become more so, your committee are of opinion that it would conduce to the interest of the State to allow each of said officers a certain salary, and such an amount of clerk hire as the business in said offices may require, and with a view to this object, the committee have directed me to report the following bill.[3]

That part of the resolution referred to the committee, which relates to the subject of change in the mode of doing the business in said offices, have had the same under their consideration, and have devoted such attention to the subject as has convinced them that important changes are necessary. The whole business of the loan office under the now existing law, is performed by the Treasurer of State, and consequently there is no check upon that office, and as the sum total in this office is swelled to a large amount by the addition of a large number of small items, the committee have directed me to report a bill regulating the mode of doing the business in the Loan Office.[4]

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[3] This bill (H. B. 119), after considerable action thereon, was passed and approved. *Laws of Indiana,* 1840-41 (general), pp. 132-33. It fixed the auditor's salary at $1,000, and allowed him $400 for clerk hire. Four hundred dollars of the salary was to be audited and paid out of the College or Loan Office Fund, $200 out of the sale of Wabash and Erie Canal land sales, and the rest out of state revenue. The treasurer's salary was also set at $1,000 and he was allowed $400 for clerk hire. Four hundred dollars of the salary was to be paid out of the College or Loan Fund, the rest out of state revenue. As for the secretary of state, his salary was put at $800 a year, with $300 allowed for clerk hire. Two hundred dollars of the salary was to be audited and paid out of funds arising from sales of the Wabash and Erie Canal land, the rest out of state revenue. The salaries thus specified were to be the full compensation for these offices; fees and other perquisites of the offices would be treated as state revenue. One representative, Jesse Morgan of Rush County, estimated that despite the salary increases and allowances for clerk hire, the state would benefit by at least $1,000. See below, 207-8.

There is another subject to which the attention of the committee has been called: the Secretary of State is State Librarian. The Library is now kept in the State-House, and for the convenience of the legislature should be continued. While the office of Secretary of State is and must be continued to be kept in another building remote from the State-House, therefore the connection of the two offices are incompatible. The committee also find that under the present law, the Treasurer is keeper of the State-House—as his office of Treasurer is not in the State-House, these offices are not connected. Again: The duties of Librarian require him to have access to the Library, and during the sitting of the legislature, to be a large portion of his time in the Library. The keeping of the House in the hands of another individual, would be the source of conflicting duties and the source of much ill-convenience, and might to some extent, as has been the case, lead to the neglect of one or the other of those duties. The committee therefore have directed me to report the following bill.[5]

The committee would call the attention of the House to another branch of this subject. By the report of the Secretary of State, a contract has been entered into for the keeping of the Secretary's office in a building belonging to the State Bank, at the annual expense of $250 00. This expense has been incurred as alleged, for the safety of the State records, by having a fire proof vault connected with the office.

As the building on the Governor's Circle is now in good repair from recent improvements, and is not likely to be ever used for the purpose for which it was originally intended, and has been used for offices, and is so used at this time, the committee are of opinion, that permanent arrangements should be made for continuing the use of said building for State offices; and if fire proof vaults be necessary for the safe keeping of the public records, they may be constructed in the building before referred to, at an expense not exceeding two or three years rent for one office, at the rate now paid for an office for Secretary of State.

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[4] The committee's bill amending the act to authorize the loaning of the college fund passed the House but failed in the Senate. *House Journal,* 1840-41, pp. 235, 476, 490.

[5] The treasurer had recommended also that the State House be put under the superintendence of the state librarian, and the bill introduced by the committee covering the points outlined here was passed and approved. For its provision see above, 70-71n.

But the committee are of opinion that the house may be rendered safe from fire kept within the building by properly sheeting the floor around the hearths with sheet iron and furnishing suitable fenders to each fire place, these improvements can be made for about fifty dollars; this expenditure, and proper care on the part of the officers occupying the house it may be rendered tolerably secure, and may be made to accommodate all of the offices wanted by the state; the committee have directed me to report a bill embracing the foregoing provisions, which is herewith accompanying.

Treasurer of State: Report on Expenditures for State House[1]

Treasurer's Office,
Indianapolis, Jan. 4th, 1840 [1841]

To the Hon. General Assembly of Indiana:

In obedience to the act of the 8th February, 1836, concerning the State House, the undersigned submits the following bill of expenses incurred, and disbursements made under the provisions of said act.[2]

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[1] *Senate Journal,* 1840-41, pp. 185-86.

[2] The 1836 law made the state treasurer the keeper of the State House and authorized him to procure carpeting, additional tables, and furniture; to grade and fence the grounds; and do all other things necessary to the preservation of the building. *Laws of Indiana,* 1835-36 (general), pp. 87-88. This Assembly relieved the treasurer of the responsibility, transferring it to the newly created office of state librarian. See above, 70-71n, 170. The Assembly passed an act at this session allowing Palmer $1,986.82 "being the amount disbursed by him the past year, on account of the state house and incidental expenses of the last and present session of the general assembly. . . ." *Ibid.,* 1840-41 (general), p. 121.

In the schedule of expenditures here presented, a considerable amount will be seen to have accrued during and incident to the last General Assembly.

It has been the practice of the undersigned, as far as could be ascertained, to procure in advance of the session, all and every article of stationery and furniture necessary for the use and comfort of the members; but notwithstanding such preparation, many small articles are ordered by the members and officers of the two houses, and are procured by the door-keepers during the session.

These accounts tend greatly to swell the disbursements under this head, although not properly belonging to it.

By the act of the last session, the Treasurer of State was directed, if he should think it expedient, to procure insurance on the State House, in such amount as he should think advisable, not less than $20,000, to be continued for three years. The undersigned has not deemed it expedient to effect such insurance. If the General Assembly shall desire the insurance of the building, it will perhaps be advisable to make peremptory provision therefor.

The original vouchers for the several payments will be submitted to the proper committee, a schedule of which is herewith annexed.

All of which is respectfully submitted,

N. B. PALMER, Treasurer of State

The payments on account of State House and incidental expenses of the last General Assembly during the financial year of 1840, are as follows, viz:

No. 1.	S. A. Fletcher bill sundries	$ 10 06
2.	J. E. Stretcher, repairing clocks	2 87
3.	J. Levi, smith work	3 75
4.	Morrison & McDougal, candle sticks, &c.	4 00
5.	M. Shea, work at State House	6 00
6.	L. Ellock, repairing carpet	3 00
7.	Morrison & Talbott, glass and queensware, stationery, &c.	91 70
No. 8.	B. Pottage, bill hardware	35 25
9.	Espy & Sloan, repairing furniture	8 75

10.	J. L. Mothershead, bill sundries	8	25
11.	Tucker & Weaver, repairing furniture, &c.	29	60
12.	H. P. Todd, repairing pump	1	00
13.	N. N. Norwood, glazing	3	00
14.	Bonner & Clark, work at State House	4	00
15.	J. Cohen, glazing	1	50
16.	J. Michael, work at State House	2	50
17.	M. Shea & J. Conner	4	00
18.	P. Fin	3	00
19.	B. F. Davis, for brooms	1	00
20.	J. H. Wright, carpeting, &c.	55	69
21.	Tomlinson & Sullivan, stationery, &c.	60	75
22.	H. Colstock for out-buildings, &c.	46	00
23.	V. & C. Hanna stationery		62
24.	C. & J. Cox, repairing roof, &c.	91	50
25.	S. A. Fletcher, for lumber	2	25
26.	H. Orr & Co., brooms	1	00
27.	Seibert & Buehler, bill sundries	59	62
28.	H. Colstock, re-laying floor in Treasurer's office	13	00
29.	A. & C. Higgins, for mats	18	50
30.	J. McCormack for shrubery	5	00
31.	A. Hartman, work at wood	2	87
32.	H. M. Wilson, for nails, &c.	2	41
33.	M. Davenport, for brooms	2	00
34.	H. Colstock, blinds for water closet	28	75
35.	J. S. Walker, repairs in Hall	7	50
36.	J. Gaby, repairing roof of Treasurer's office	10	75
37.	Norwood & Statts, painting, &c.	18	75
38.	H. Deviny, taking up and laying carpet in Hall	33	00
39.	Tucker & Weaver, frames for library	2	25
40.	M. Shea and work at State House	12	75
41.	J. O'Connor, work at State House	7	00
42.	H. Griffith, bill sundries	14	00
43.	D. Winslow, work at State House	3	50
44.	H. P. Todd, repairing pump, &c.	10	90
45.	M. Shea, work	10	87

46.	J. S. Walker, making and repairing wood boxes	8	37
47.	M. Stapp & Co. and others, freight and transportation	15	45
48.	H. B. Orn, for carpeting, &c.	599	56
49.	N. H. Morrison & Co. freight, drayage, &c.....	38	52
50.	Sundry incidental expenses	3	37
		[1,409	73]

Report of House Committee on the State Prison[1]

January 6th, 1841

Mr. Speaker:

The committee on the affairs of the State Prison, to whom was referred so much of the Governor's message as relates to the State prison, and the (October) report of the Visitor thereto,[2] also, sundry resolutions relative to the appointment of a Chaplain for said institution, and for prohibiting the prisoners from performing manual labor on the Sabbath; and also a memorial from sundry citizens residing in the vicinity of the state prison, remonstrating against the convicts working outside of the prison walls, and praying the Legislature to adopt such measures as will more especially improve the moral discipline of the prison, and bring such habits of reflection and repentance home to the prisoners, as may lead to instances of reformation of offenders which do not now exist; together with a petition or proposition made to the General Assembly, by Messrs. B. Hensley, A. C. Hensley, and Benj. Hensley jr. have had these various matters under consideration, and beg leave to report:

That after a serious consideration of the whole subject referred to them, they have come to the conclusion, that, owing to the embarrassed situation of the financial concerns of the state, and the necessity there would be for large outlays immediately on its part, to prove the necessary apparatus for employing the convicts, (as we have been informed that the state owns nothing at the institution now, except the buildings and the convicts) we think it would be impolitic, for the state to take the institution into her own hands, as recommended by his Excellency the Governor.

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[1] *Documentary Journal,* 1840-41, House Doc. 22.

[2] The reference is to Governor Wallace's message to the Assembly (see his *Messages and Papers,* 457-58), and the report of the visitor above, 53-61.

The committee have had under consideration the resolution for prohibiting the prisoners from performing manual labor on the Sabbath. From all the information, which they have been able to obtain on this subject, from persons who reside in the neighborhood of the state prison, the committee are inclined to think, that, the convicts are not usually compelled to labor several hours on the Sabbath. The prisoners have been heretofore, sometimes engaged in the manufacture of brick, and it has happened that when the newly moulded brick, were in the yard drying, a shower of rain would occasionally come on, on the Sabbath, when it would be necessary to take in the soft brick in the yard, to prevent them from being destroyed or very much injured. This is all the labor, as we have been informed, which has heretofore been performed on the Sabbath, and does not seem to the committe as *very* objectionable.

The committee have attentively examined and seriously considered upon a proposition made by the Messrs. Hensleys, above referred to, which proposition is in substance as follows, viz:

They, [said Hensleys] offer to take the institution for five years, subject to the laws now in force, or that may hereafter be passed relative to said institution; that they would feed, clothe, and govern the convicts, furnish raw material and tools of every description, necessary for carrying on the business of said institution advantageously. They would also furnish a sufficient number of carts, wagons, oxen, &c. &c. for the use of said institution; and as it would be necessary to work some of the convicts outside of the prison walls until shops could be prepared in the interior, they said Hensleys would furnish a brick yard with all its appurtenances, clay, &c. &c. for making brick. All articles of every description so furnished to the said institution, to be paid for out of the proceeds of sales of articles manufactured in said institution, and to become the joint stock of the state of Indiana, and the said Hensleys. The Messrs. Hensleys have on hand all the necessary material required for erecting shops, which they would build during the ensuing spring and summer, and charge the state for said buildings, whatever a commissioner appointed by the state authorities may estimate them at, to be paid for from the profits accruing to the state during the first year. At the end of each year, the state should be entitled to one half of the net profits of said institution, and the said Hensleys would guaranty that the part coming to the state should not be less than four thousand dollars in any one year; and that the state should not draw more than four thousand dollars in any one year, from said institution—the overplus remaining as capital belonging to the state, to purchase raw material.

The attention of the Messrs. Hensleys would be turned principally to the manufacturing of bagging and rope, coopering, wagon making, and blacksmithing, so soon as shop room could be made; stone cutting might be carried on to some extent, though not very profitably.

As objections might be raised to the manufacturing of hemp, on account of the combustible nature of the material, Messrs. Hensleys state that as there would be no work done at night, there never could be fire in any of the shops, in which hemp would be manufactured.—In this particular, the cooper's is the most dangerous shop in the prison.

The Messrs. Hensleys have been many years engaged in the manufacturing of hemp, and consider Jeffersonville the most eligible point in the west for that business. By reference to the late reports of the "Agent and Keeper" of the Kentucky Penitentiary, it may be seen, that, that institution has realized large profits, chiefly derived from the Manufacturing of bagging and rope. The machinery necessary for carrying on this business could be mostly made in the prison, such as could not be made there would have to be paid for by the institution: and at the end of the term, the whole of the machinery for the manufacturing of hemp, should be the property of the State free of Charge.

The Messrs. Hensleys are willing to come under any obligations as to the personal treatment of the convicts that might be prescribed by the Legislature.

The Messrs. Hensleys would employ a physician whose duty it should be to visit the prison at least once per day, and oftener if necessary, inspect cells, clothing, provisions, &c., and report on oath to the legislature, annually; and they would also employ a competent clerk to be approved of by the legislature, who should be sworn to keep the books of the institution correctly. These officers to be paid out of the funds of the institution.

The Messrs. Hensleys would enter into bond with satisfactory security, as might be agreed on in detail.

The committee after much reflection upon the subject of confining the convicts within the walls of the prison, and furnishing them with employment—taking into consideration the fact that many of the convicts are persons who have never learned a trade, and are unacquainted with any craft which they could exercise within the walls, in conformity with the provisions of "An act relative to crime and punishment," which provides, that convicts shall be imprisoned in the State Prison at hard labor; and being informed that persons can in a very short time become so well acquainted with some part of the work which is required in the manufacture of bagging and rope, that their labor may become profitable; and believing that this mode of employing the convicts (such of them as have not learned any trade or handicraft) is the most eligible mode in which such convicts could be employed, under present circumstances; the committee think that the interests of the state would be best promoted by acceding to the proposition of the Messrs. Hensleys. The reasons which influenced the committee, and led them to the conclusion to which they have arrived in this particular, are various.

Among these, are, *First,* The embarrassed situation of the financial concerns of the State, and the inexpediency in our opinion of making such large outlays, as would be required, if the State took the institution into her own hands.

Second, The great difficulty there would be in furnishing employment in any other manner, within the walls, as required by law, and prayed for by a large number of the citizens of Jeffersonville, and the vicinity.

Third, The facility with which the laborious part of the employment of manufacturing bagging and rope, can be learned by persons having no previous acquaintance with the business, gives that kind of labor a preference, in our estimation, over almost any other which could be proposed.

Fourth, The employment of the prisoners in the manufacture of bagging and rope, would not, in any way, compete with the labor or manufactures of the citizens in the neighborhood of the prison, which is now much complained of; it would also be introducing a new branch of business into our state, for, as far as this committee can learn, that business is not carried on to any extent in Indiana.

Fifth, If the state should take the institution into her own hands, and even commence the manufacture of hemp, upon her own account, she would be obliged to employ a suitable person, skilled in the business, to take charge of the operations, at a considerable salary; to purchase the raw material, the machinery, &c. &c.; all of which would be very burthensome to the state at present, and the profits might after all, on this plan be precarious. An officer employed, and paid a certain salary, might not feel so much interest in the profitable prosecution of the business, as one who had a share in the matter, and whose profits in fact depended upon the good or bad success of the undertaking.

If the proposition of the Messrs. Hensleys be acceded to, by the Legislature, it will be necessary to erect some additional shops, and enlarge some of the other buildings within the walls, so as to afford the means of employing so large a number within the walls, in so limited a space. It would also be desirable to erect a building near the northern extremity of the area enclosed by the walls; to serve as a chapel on the lower or basement story, and as a hospital above. These buildings would cost something considerable to the State, (say about twenty-five hundred dollars,) but as we learn, the Messrs. Hensleys have on hand the materials necessary for the erection of these buildings, and are willing to erect them, and take their pay for the same from the four thousand dollars, which the State will be entitled to, the first year.

This arrangement will, in the opinion of the committee, be more advantageous to the state, than if she would undertake the buildings upon her own account.

With regard to the employment of a chaplain for the State Prison, the committee have had the same under consideration. We believe the true object of Penitentiary discipline, is the reformation of the offender, and not his punishment; and to effect this purpose, we are of opinion that religious instruction would be the most powerful engine that could be employed. The committee are therefore of opinion, that it would be proper to employ a chaplain on the part of the state, to conduct religious exercises in the prison on the Sabbath, and give such other instruction as would be in his power to the convicts, by which means, many of the unfortunate tenants of the prison, might come out from its walls much wiser and better men, than when they entered.

The committee deem it unnecessary, in this report, to go, more at length, into the reasons which induced them to come to the conclusion, at which they have arrived; and would respectfully ask leave to report the following bill to-wit:[3]

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[3] An act amending the act of 1838 regulating the prison was passed. By it provision was made for the appointment of a superintendent or superintendents for five years to take office on the 14th of June, 1841, who should have entire control and management of the institution, employ suitable guards and a physician, and have authority to employ the prisoners at whatever labor was deemed best "to promote the interests of the institution," the labor to be performed within the prison walls. The superintendent or superintendents were to feed and clothe the prisoners and pay the expenses of management. In return their compensation would be "one equal moiety of nett profits thereof, after defraying all the expenses of the institution. . . ." There was a provision included that should the state's portion of the net profits ever fall below $4,000, the superintendent should make up the deficiency out of his share. However, the state was not to draw more than $4,000 in any one year from the institution; any overplus was to be used to purchase raw material for the use of the prison. A clerk was to be appointed by the governor to keep an account of the financial affairs of the institution, at a salary of $800 per year. The governor was also to appoint a prison chaplain who should receive $250 a year from the state. *Laws of Indiana,* 1840-41 (general), pp. 136-40.

The state did not appoint the Messrs. Hensley referred to in the committee report. Joseph R. Pratt and John McDougal were appointed

Majority Report of House Committee on Canals and Internal Improvements[1]

[January 16, 1841]

The committee on Canals and Internal Improvements, to whom were referred so much of His Excellency the Governor's message, as relates to the subject of internal Improvements; also a resolution of the House directing them to inquire into the expediency of classifying the public works,[2] having duly considered the several matters thus referred, make the following Report:

The adoption of any system of operations upon our public works, is rendered unusually difficult at this time, by the pecuniary embarrassments in which the country is involved, and the unfortunate and disastrous change which has occurred in the condition of our financial affairs. These difficulties and embarrassments are not confined to our own state, but are now operating to a greater or less extent upon every state in the union; and instead of being caused (as has been contended) by the prosecution of our system of Internal Improvements, are themselves the immediate cause of the prostration of that system and the suspension of operations.

The present condition of our public works is such as to excite serious apprehensions that without some prompt and efficient action of the legislature, no portion of the benefits expected by the

superintendents of the State Prison on March 23, 1841, to continue in office for five years from June 14, 1841; William F. Collum was appointed clerk on March 29, 1841. Also, the governor appointed Fernandez C. Holliday chaplain, and Samuel Meriwether physician for one year from June 14, 1841. Governors Correspondence, Archives Division, Indiana State Library.

The act of 1841 also provided for erecting necessary additional cells and improving the condition of those already existing, and for building a row of shops and a new building to serve as a chapel and hospital, all these to be paid for by the state out of their annual income of $4,000 from the prison. The complete inadequacy of these provisions is brought out in the visitor's and superintendents' reports the following year. See below, 252-55, 269-76, 277-83.

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[1] *Documentary Journal,* 1840-41, House Doc. No. 26.

[2] See Wallace's message in his *Messages and Papers,* 470-71, and *House Journal,* 1840-41, p. 94.

people from them will be realized, while the large amount heretofore expended will be almost entirely lost; with a large amount of unfinished work under contract, perishable materials of great value collected upon the several lines, a large proportion of the money heretofore expended, so applied as to be wholly unproductive without still further expenditures, and those portions of the several lines which have been finished, in many places, sustaining great damage for the want of proper care and attention; we find ourselves without means to prosecute them further, unless the present Legislature shall provide them. In this state of affairs it becomes a matter of interest and importance to determine upon the proper course to be pursued. If it should be determined that the interest and honor of the state would be promoted by abandoning the system entirely—if the present legislature shall believe that the true interest and welfare of their constituents will be best consulted by sacrificing over six millions of dollars already expended, and with it the credit and honor of the state while they shall be subjected to the payment of taxes indefinitely to meet the accruing interest upon the money thus recklessly thrown away; the course will be a plain and easy one. All we shall then be required to do, will be to let things remain as they are, to do nothing. If on the contrary we should believe that the six millions of dollars now expended, should not be thrown away,—that the credit and honor of our young and growing state is identified with the progress of at least a part of the system she has begun, we must do something to rescue the country from the evils which are impending over it. In order to effect this, your committee are of opinion that every consideration of public policy and sound economy imperiously urge us to bring into requisition all the energies and resources of the state, to so far carry out the system in which we have engaged, as to preserve unimpaired our public faith, satisfy the just expectations of the community, and render available the large amount already expended in its prosecution.

While your committee entertain this view of the great importance of continuing operations upon the public works, they are fully aware that the simultaneous prosecution of all would meet with no favor from any quarter. This course of operations, with the numerous lettings upon detached portions of the several lines, rendering the amount expended almost entirely unproductive, and subjecting the state to loss from the decay and dilapidation of those portions which were finished, before they could be connected with other finished portions, have been a source of much evil and have greatly tended to bring the whole system into disrepute.

The utility and importance of creating artificial channels of trade and intercommunication between different sections of the country, is abundantly established by the experience of both Europe and the United States. They constitute veins and arteries to the body politic which diffuse health, vigor and animation throughout the whole system. In no state in the union are stronger inducements presented for their construction than in our own. Situate as a large portion of our territory is, remote from navigable streams, upon which our surplus products may be borne to a market; and those productions which constitute our greatest resource being bulky and difficult of transportation upon common roads; a large proportion of the actual wealth of the country is lost in the effort to transport it to points at which it can be converted into money.

The history of the last twenty years is replete with instruction upon this subject, and the lights of experience which are furnished by it, should not be lost upon us. Within that period, we have seen the commencement, the prosecution and the final and successful completion of many public works which are not surpassed in grandeur and magnificence by any of the works of art of the old world; and which have overcome not only the most important obstacles and barriers of nature; but the more imposing obstacles of prejudice and error. The progress of these works has been retarded and their projectors assailed by the same means which have been brought to bear upon our own. Ruin and disaster have been boldly predicted as the result of their completion. But in almost every instance, so far have been the predictions of their enemies from the truth, that the most sanguine anticipations of their friends have been more than realized.

Were the question now, for the first time presented whether we should commence a system of Internal Improvements, the propriety of engaging in one of less magnitude than that of 1836 would be conceded. Numerous causes combined to extend that system beyond the bounds to which its friends would have desired to limit it. The uncompromising hostility of those portions of the State through which none of the works passed, to any system, no matter how small, imposed upon them the alternative of embarking in the prosecution of a larger number of works than they desired or of abandoning altogether the design. The great facility with which money could then be obtained, the unexampled high prices which our staple products commanded, and the apparent prosperity which every part of the country exhibited, combined to unite public sentiment in its favor to a remarkable degree. The alternative of choosing or rejecting the system is no longer left to us. We have now to choose between sacrificing the amount we have already expended, or by further prosecution rendering it available,—between violating our plighted faith and sacrificing our credit abroad, or sustaining the reputation we have heretofore enjoyed.

Notwithstanding the magnitude of the system, and the adverse circumstances by which we are surrounded, it is believed by your committee that the resources of the State are fully competent to the completion of all the works, by pursuing a judiciously modified system of operations. To effect this object the works should be classified. The means of the State should be applied to the prosecution of a small number, while operation upon the balance should be suspended. Those which can be completed and brought into use at the earliest period and with the least amount of money, and the completion of which will render productive the largest amount heretofore expended, should be finished as soon as the State can procure the means without an unreasonable sacrifice.

In adopting such a system of classification, many difficulties are presented. The great anxiety manifested in the vicinity of all the works, for their immediate prosecution, must of course create dissatisfaction among the friends of those which may be postponed. In a matter of such great importance to the country, sectional feelings and interests ought not to be consulted. The interest of the State at large should be our only guide, to diminish her burdens our only object. After a careful examination of the whole subject, with an eye to the general welfare of the State, your committee have come to the conclusion that the works should be divided into three classes, as follows: The White-water canal from Brookville to the National Road, the Madison and Indianapolis Rail Road, from Vernon to Edinburgh, the New Albany and Vincennes turnpike road from Paoli to Vincennes, (except the metalling and the bridges over the two branches of White River) and the improvement of the rapids of the Wabash, to constitute the first class.

The Michigan and Erie Canal, the Northern division of the Central Canal; the Cross-cut canal; and the Rail Road from Edinburgh to Indianapolis, to constitute the second class.

The Southern division of the Central Canal; the road from Jeffersonville via New Albany, to Crawfordsville; the road from Indianapolis to Lafayette; the metalling and bridges over the White Rivers, on the Vincennes and New Albany road; the White-water Canal from the National Road to the mouth of Nettle Creek; and the connexion between the White-water Canal and the Central Canal to constitute the third class.

In this classification your committee have not embraced the Wabash Canal below the mouth of the Tippecanoe river, because in their opinion if Congress should confirm to the State the lands claimed by her for the prosecution of that work, it should be separated from the system of 1836, and prosecuted upon a distinct footing from the proceeds of those lands.

Upon the works embraced in the first class, there has been expended the sum of $3,004,245. To complete those portions of them thus specified, will require the further sum of $1,288,818, a sum much less than one-half the amount already expended. Without their completion the large amount already expended must remain wholly unproductive, while the payment of the interest annually accruing upon it, will be a constant drain upon the resources and industry of the community without any prospect of ultimate or final relief. Should they be prosecuted to final completion the state will then be in possession of three works, the aggregate length of which will be about two hundred and twenty-five miles, exclusive of the improvement in the Wabash river, penetrating a densely populated and highly improved portion of our territory, and furnishing all the advantages of artificial channels of trade and commerce, while the tolls to be derived from their use, would greatly aid in paying the interest upon our public debt. Whether they would pay the interest upon the entire cost of their construction is a matter your committee cannot determine upon any other than conjectural grounds. Comparing them however with similar works in sections of the country similarly situated, there is strong reason to believe that they would yield a constantly increasing revenue, which would ultimately be sufficient to pay the entire interest upon their cost, besides keeping themselves in repair.

The Miami canal in Ohio, considering its extent now in operation, the character of the country through which it passes, the nature of the products which are conveyed to market upon it and the extent of trade which it commands, bear a more striking resemblance to the White-water canal than any other work of which your committee has any knowledge; and furnishes safe data upon which we may calculate the advantages to be expected from the White-water canal when finished. The Miami canal during the past year, notwithstanding the embarrassed condition of the country, has yielded in tolls an amount more than sufficient to pay the interest upon the entire cost of its construction, in addition to the cost of repairs and superintendance. A due regard to principles of sound economy would require us then to bring into use at as early a period as possible, a work requiring so small a sum to complete it, in comparison with the large amount already expended, and which affords so fair a prospect of being productive. The amount of tolls received during the past year, upon that portion of the Madison and Indianapolis rail road which is now in operation, furnish some evidence of the large amount of business which it may be expected to accomplish when it shall have reached the centre of the state. The vast extent of country whose rich products will seek an outlet to the Ohio upon it—the merchandise, iron, salt and other commodities which are required for the consumption of the country and which must be conveyed to the interior by its means, in addition to the conveyance of passengers, will produce an income which to say the least of it will pay the interest upon a much larger sum than that required for its completion.

The New Albany and Vincennes road is one of the most important thoroughfares in the state, being on the immediate route from Louisville to St. Louis; and the constant travel upon it which must be necessarily continued and greatly increased, renders its early completion a matter of the deepest importance both with reference to the receipt of tolls and the accommodation of the country through which it passes. In addition to the advantages of the work, the small amount necessary to complete it, so far as specified in this report furnishes a strong inducement for its early prosecution.

The necessity of improving the rapids of the Wabash river has long been felt, and the successful completion of the improvements already commenced, will give an impetus to the trade and prosperity of that fertile valley, the influence of which will reach every part of the state. The compact entered into between this state and Illinois for the completion of this work imposes upon us additional obligations to progress with its prosecution without unnecessary delay. And in a pecuniary point of view, your committee entertain the opinion that this work is not inferior in importance to any in which the state has engaged, as the revenue which may be derived from it will without doubt be equal to the interest upon its cost.

Assuming that the works embraced in the first class will yield a revenue of four per cent upon their cost, they will pay the interest upon the money necessary to complete them at six per cent per annum, and yield in addition the sum of $94,392 00, to be applied to the payment of the interest upon our present debt. Or if they net at the commencement only three per cent upon their cost (and the most skeptical will surely not fix a lower estimate than this) they will meet the interest on the sum required to complete them, and leave in addition the sum of $51,462 00.

Upon the works embraced in the second class there has been expended the sum of $1,041,940. To complete them a further expenditure of $5,033,339 will be necessary. So soon as the works embraced in the first class shall be completed, the importance of those embraced in the second will be greatly enhanced.

The northern division of the Central canal may be regarded as but a continuation of the improvement from the Ohio river north, and will furnish an important outlet from the Wabash and Erie canal through the centre of the state. The importance of completing the Erie and Michigan canal will be appreciated by all acquainted with the country through which it passes, and the variety and value of its products. These instead of being forced to seek a market through the tardy and hazardous navigation of Lakes Michigan and St. Clair, a distance of near twelve hundred miles, will then find an easy outlet through the Wabash and Erie canal to the north, or through the Central canal and rail road to the south, while its value in a pecuniary point of view is believed to be sufficient to justify the expectation that it will be a source of profit to the state. This expectation is founded in part on the fact that so soon as the canal may be completed so as to form a junction with the Illinois canal, a direct communication will be afforded for the transportation of the immense amount of merchandise required by the northern portion of Illinois, which must furnish a valuable and productive trade.

The Cross-Cut canal will furnish an important addition to the Wabash canal, which it is believed will be finished from the lands which we presume will be confirmed to the State under the original appropriation made by Congress, for the construction of the Wabash and Erie canal. The liberal proposition already made by a number of enterprising citizens of Vigo county, to guaranty to the State the payment of the interest necessary to complete the canal to the feeder dam in Clay county, from the water rents, provided the bonds of the State are furnished to complete it, indicates the value of the work as well as the great interest felt in that community in regard to its prosecution.

The committee have heretofore reported a bill providing for the construction of that portion of the canal, in accordance with the proposition above referred to, the passage of which they recommend to the House.[3]

Upon the works embraced in the third class, there has been expended the sum of $1,224,565. To complete them will require a further expenditure of the sum of $5,164,765. The aggregate amount expended on the works embraced in the three classes is $5,268,750, the amount yet to be expended is $11,486,922. The several sums already expended and required to complete, include in each case the probable cost of superintendence, in addition to the actual cost of construction.

This amount although large, is not beyond the means and resources of the State, and if a judicious and economical system of operations shall be rigidly adhered to, the whole may be ultimately completed without producing serious embarrassment.

Your committee cannot indulge the belief that the present General Assembly will adjourn without marking out some course of future operations, which shall preserve the honor and credit of the State, and show to the world that our system is not utterly abandoned. The system of classification marked out in this report, will, in the opinion of your committee, if adopted and adhered to, effect that object and insure the ultimate completion of the works, while it will prevent so rapid a prosecution as will be likely to increase our present difficulties.

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[3] Acts providing for the completion of that portion of the Cross-cut Canal between the feeder dam in Clay County and the Wabash River in Terre Haute were passed. *Laws of Indiana,* 1840-41 (general), pp. 221-22, 223. A memorial from sundry citizens of Vigo County in regard to the completion of this portion of canal was referred to the House committee on canals and internal improvements. Thomas Dowling of Vigo County, a member of the committee, reported favorably on the memorial. *House Journal,* 1840-41, pp. 362-64. The memorial guaranteed the payment of interest on the state bonds to be issued to pay for the construction, and the committee report commented that this was the only proposition yet made to the Assembly by which individuals were willing to make this guarantee, and added, "If any portion of the public works are to be completed, it is scarcely to be expected that a more favorable occasion will be afforded to the Legislature."

The acts authorized the Board of Internal Improvement to contract with Chauncey Rose, Thomas H. Blake, Lucius H. Scott, John Britton, William Wines, and Septer Patrick, for completion of the canal section, the whole contract not to exceed $80,000. Payment for construction was to be made by the Fund Commissioner in 6 per cent, thirty-year bonds. The contractors were to give bonds and mortgages in the amount of $60,000 for the payment of interest as it became due. Tolls and water rents from the completed canal were also to be applied to the payment of interest and upkeep of the canal.

The people of the State have heretofore cheerfully paid the taxes which have been imposed on them to meet the interest upon their public debt. In doing this, however, they have been encouraged by the hope that at least a large portion of the works embraced in the system of 1836, would be completed, and that the great advantages which must result from their use would be realized, while the tolls which may be expected from them would at least greatly lighten the burden of taxation. If we should now abandon their prosecution, we deprive them of that hope which has heretofore encouraged them in bearing the burdens which the State has imposed upon them, while we leave them pressed down with the weight of a heavy public debt, the interest of which will be a constant drain upon their industry, and from which the future will afford no prospect of relief.

If the legislature should conclude to progress with a part of the works, your committee believe they should be prosecuted as soon as the means can be obtained, without incurring too heavy a sacrifice. Labor and provisions are now cheaper than they have been for many years. That the present low prices will continue is not to be expected. It would certainly be acting in accordance with sound economy, if the State should avail herself of those reduced prices in the prosecution of her works before a change of times shall render their prosecution more expensive. An additional reason for their immediate prosecution may be found in the large amount of perishable materials now collected upon the several lines. Upon the Whitewater canal alone, the perishable materials on the unfinished portion above Brookville, amount in value to over forty-three thousand dollars, the most of which will in a short time be entirely lost, should the work not progress. In addition to this, a few years delay will cause the lock foundations, now constructed at great expense, to decay, which would render a rebuilding of the masonry necessary. The loss in this item alone would greatly exceed any difference which may reasonably be expected in the expense of procuring means at the present and any subsequent time.

From the state of the money market for some time past, we have no reason to hope that we shall be able hereafter to procure funds at less than six per cent interest. It is believed by your committee, that the works embraced in the first class may be prosecuted during the next season upon six per cent. bonds, either by selling them at par, or by paying for the work with them. Either course would be decidedly preferable to suffering the works to remain in their present condition.

Your committee report herewith a bill to classify the public works.[4]

Caleb B. Smith, Chairman
Sam'l Howe Smydth,
Thomas Dowling,
Dan'l Strattan,
W. Terrell,
John D. Defrees[5]

Mr. Jones,[6] a member of the committee, dissents from the above report.

Minority Report of House Committee on Classification of Public Works[1]

[January 16, 1841]

Mr. Speaker:

The undersigned the minority of the committee to whom was referred the resolution of this House relative to the classification of the public works respectfully beg leave to Report:

[4] For action of the Assembly on classification see above, 115n.

[5] Smith was from Fayette County, Smydth from Daviess, Dowling from Vigo, Stratton from Wayne, Terrell from Bartholomew and Brown, and Defrees from St. Joseph; they were all Whigs.

[6] William Jones, a Whig from Spencer County.

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[1] *Documentary Journal,* 1840-41, House Doc. No. 27. This was a select committee of five members representing counties through which none of the public works provided for in the act of 1836 passed. Members were William Jones of Spencer County, Jesse Morgan of Rush County, Aaron Rawlings of Scott County, James G. Sloan of Crawford County, and William G. Montgomery of Warren County, all Whigs. *House Journal,*

That they have not thought proper to trouble the House or burden the Journals with a lengthy report. The object of a minority report being to review and reply to the reasoning of the majority, who in this case have thought proper to make none; therefore no necessity exists for a reply.

The undersigned are at a loss to conjecture by what kind of calculations or what course of reasoning the majority came to the conclusion that the interest of the state would be promoted, by placing the most costly of all the public works in the second class. By a reference to the report of the Chief Engineer, it will be seen that $2,525,067 is required to finish the southern division of the Central canal, a work only one hundred and ninety four miles long, which the majority have thought proper to place in the second class; from such a classification of the public works, we felt bound to dissent for the following amongst other reasons. If our public works are to be further prosecuted, every consideration of interest, prudence, and economy certainly urges us to prosecute those works where the greatest portions can be made available with the smallest sums.

For the purpose of ascertaining how far this principle governs in the bill submitted by the majority, suffer us to submit a few estimates.

Work	Miles	Amount to finish
White-water canal	69.40	$ 566,236 00
Madison Rail Road	85.75	826,833 00
New Albany and Vincennes Road	105.00	340,670 00
Road from Crawfordsville to Lafayette	26.00	26,716 00
Road From Greencastle to Crawfordsville	28.00	66,310 00
Road from Jeffersonville to Salem	37.00	64,328 00
Central Canal from Indianapolis to Kill-buck Summit	63.00	565,678 00
Cross-cut Canal	25.50	77,299 00
	439.65	$2,533,070 00

1840-41, p. 116. The bill which the majority submitted did not get beyond second reading. *Ibid.,* 338. The majority report was not printed.

Thus it will be seen that about 439½ miles of the works above named can be completed for the sum of $2,533,070, whilst 194 miles of the Southern division of the Central canal will cost $2,525,067, only $8,003 less than 439 miles of the above works.

Justice to ourselves compels us to say that we deeply deplore the infatuation that involved us in difficulties and embarrassment, and were we free from this incubus, we would be the first to raise our warning voices against embarking in a system so disproportioned to the means of the State to accomplish, and consequently, so ruinous. But situated as we are it becomes a grave question whether it would be the best economy to stop *now* or whether we had better struggle on a little longer.

Humiliating as it would be indeed to stop now, after having spent so many millions, without having a single work finished to test their utility, still we candidly confess we would bear the disgrace, if bear it we must, sooner than increase the burdens of our constituents. But, situated as we now are, the question is not whether the works will pay the interest on the whole cost of their construction, but will they more than pay the interest on the additional sums required to complete them? If any work when finished will pay the cost of keeping it in repair, and pay the interest on the additional sums required to finish it, the people's burdens will not be increased by the completion of such work, because they will only have the same amount of tax to pay as before, and the increased facilities for transportation will enable them to pay it with greater ease. We believe the works named in the first class, and perhaps most if not all of the works named in the second class of the bill herewith submitted, are of this description.[2] Yet we cannot consent to the finishing of more than one or two works till the experiment is fairly tested. Neither can we approve of any sale of State bonds for the present year at least, unless contractors will take them in payment of contracts, at cash estimates, and then only to a very limited extent.

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[2] The bill introduced by Morgan on behalf of the minority of the committee divided the public works into five classes as follows: (1) Whitewater Canal from Lawrenceburg to the National Road and the Madison and Indianapolis Railroad from Madison to Edinburg; (2) the New Albany and Vincennes turnpike; northern end of Central Canal, from Indianapolis to the Killbuck summit, including the Muncie feeder; the Cross Cut Canal; the Madison and Indianapolis Railroad between Edinburg and Indianapolis; (3) the southern division of Jeffersonville to Crawfordsville Road (Jeffersonville to Salem); the northern division between Greencastle and Crawfordsville; the Indianapolis and Lafayette Road between Crawfordsville and Lafayette; the remainder of the north-

If it is possible to render any portion of our suspended debt available let us prosecute our work with that, and let the sale of state bonds be the dernier resort.

The undersigned, living as they do, remote from any of the public works, could not be influenced by interest, prejudice, or partiality, in making their classification. They have carefully compared the amounts expended on the different works, the sums required to complete each, and the length of line that would be brought into use by such expenditures.

They have also taken into consideration the probable amount of transportation on each work, and their probable utility compared with their cost.

If, after as carefully examining the subject as our limited time would permit, we have come to the conclusion that the work that the majority put in the second class, ought to have been put in the last class, we hope it will be attributed, as we know it ought, to be an honest difference of opinion.

JESSE MORGAN,
AARON RAWLINGS

Charles H. Test to Editor *Richmond Palladium*[1]

SENATE CHAMBER, IA. January 19, 1841

DEAR SIR. The bill to prohibit the issue of small notes has finally passed both branches of the general assembly. It met with a powerful opposition in the Senate, and every possible subterfuge was resorted to for the purpose of destroying it. They are

ern division of the Central Canal; (4) the Erie and Michigan Canal; (5) the remainder of the public works provided for in the internal improvement act of 1836. Those of the first class were to be completed before work on any others was begun. Rushville *Whig,* February 6, 1841.

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[1] Richmond *Palladium,* January 23, 1841.

issued at this place, at Madison, and New Albany, and preparations were making to issue at a number of other places over the state. In fact by this time next year the state would have been litterally flooded with irredeemable paper in the form of Bank Bills. The present is the time to attack this fearful evil. Had we awaited another year it would have been too late; as it is, the Senators from the different counties where issues are now made, all opposed the passage of the bill.[2]

The Van Buren party were opposed to it at heart, though they universally supported the bill on its passage. They did not dare to vote directly against it, still if any amendment could be stuck on which would have had the effect indirectly to defeat its passage, you will find them favoring it. They suppose that under the new administration a corrupt and vitiated currency will tend to advance their party in power; in this they do not reason incorrectly, an over issue of paper currency from irresponsible individuals, and corporations, which must finally fall on the hands of ignorant & the unwarry, will unavoidably make new converts to the hard money *humbug*. Our object should be to give all proper encouragement to good banking institutions, and thrust aside the miserable trash with which the community is now threatened. Some of those opposed to the measures thought the present bill premature, and the better plan to effect the object designed by the bill, was to authorize the issue of small notes by the State Bank.[3] Upon this objection I can say, that I favor the issue of small bills by the

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[2] The act prohibited the issuing of any bills by any individual company or corporation in Indiana, except the State Bank, in the form of certificates or receipts for the deposit of money, or of promises to pay, for purposes of being used as a circulating medium or as a substitute for bank notes. *Laws of Indiana,* 1840-41 (general), pp. 120-21. The vote in the Senate on passage was 37 to 5. The five voting against were Copeland P. J. Arion of Jefferson County, Robert Hanna of Marion County, James T. Moffatt of Vigo, Clay, and Sullivan counties, Christian C. Nave of Hendricks County, and Samuel W. Parker of Fayette and Union counties, all Whigs. *Senate Journal,* 1840-41, p. 215. The House vote was 79 to 13. Of the 13 voting against, eight were Democrats and five were Whigs. *House Journal,* 1840-41, pp. 215-16.

[3] The State Bank was granted the right to issue notes of less denomination than five dollars by the Assembly. *Laws of Indiana,* 1840-41, pp. 194, 204. See below, 198n-99n.

Bank. The interest of the country demands it, and will doubtless have very much the effect to drive away a worse species of currency, still it is a matter of great uncertainty whether a majority can be found in favor of the issue by the state bank. The Van Buren party in the Senate are opposed to the project, and some of the opposition, how many I cannot say, yet a number sufficient to make the passage of a bill to that effect, doubtful to say the least of it. At all events the passage of the present bill will in my opinion tend rather to favor the other measure. But suppose it should not. The state Bank will shortly commence to pay specie, which will put into the hands of the people the latter kind of currency, instead of individual paper. In that event small change can be obtained sufficient for the transaction of all ordinary business.

One thing may be said in favor of the issue of small bills by the state Bank. The Bank will be enabled to keep a greater amount of its paper among the people without danger to its interest.—The pressure of the times require that an effort shall be made to place the measure in the power of the people to pay their debts, and also an increased amount of taxes. The paper itself will be equal to the specie.

In haste Yours &c.

Charles H. Test

Charles H. Test to Editor Richmond *Palladium*[1]

Indianapolis, Ia. 21st Jan. 1841

Dear Sir. We have just had an election for State Printer, which resulted as follows:

Cole & Dowling, got	85	votes
Stacy & Williams	8	
Bolton & Patterson	11	[6]
Douglass & Noel	25	
Scattering	5	
Total	134	

By which you will perceive, that Cole & Dowling, have been elected, by a very large majority.[2] These gentlemen occupy a very prominent rank in the editorial corps, and will doubtless discharge their duties as public printers, in a satisfactory manner. The National Patriot, and the Wabash Courier, [are] ably conducted Newspapers, and although one of the firm composing the proprietors of each of these papers, may by this election, be withdrawn from their former position, yet it may be the means of establishing at the seat of Government by this combination of talent, an ably conducted Journal. I do not know what may be the views of these gentlemen in regard to printing a paper at this place, but hope they may find encouragement to do so.[3]

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[1] Richmond *Palladium,* January 30, 1841.

[2] Richard Cole was editor of the Centerville *National Patriot* and John Dowling of the Terre Haute *Wabash Courier,* both Whig papers. They succeeded Douglass and Noel, publishers of the Indianapolis *Indiana Journal,* as state printers. By an act approved January 21, 1841, beginning with January, 1841, a public printer was to be elected by a joint ballot of the General Assembly to serve for three years beginning the first of August next. *Laws of Indiana,* 1840-41 (general), p. 141. The election was held the 22d of January. Test's letter must, therefore, be misdated. According to the House and Senate *Journals,* Bolton and Patterson received six votes.

The election of Dowling and Cole brought forth a blast from the Bloomington *Post,* a Whig paper, on January 29, that "reckless Whig partisans" had defeated "the best public servants [Douglass and Noel] that the State ever had in her employment." "For eighteen years or more, the *Journal* has been an able and unflinching advocate of Whig principles, and now they have been rewarded for all their labors by an unprincipled corn-cob Legislature, who regardless of the known wishes of the people, legislate to suit themselves. . . ." The *Post* attributed the vote to a combination of Wabash, Whitewater, and Van Buren influences.

The Indianapolis *Indiana Democrat* expressed sympathy for Douglass. It attributed the vote to efforts to force Noah Noble into retirement and put the *Indiana Journal* out of business. Cole, it said, had not been in Indiana twelve months and was publishing a paper subservient to certain men. Issue of January 29, 1841.

The editors of the *Journal* attributed their defeat to the same combination of interests as the *Post* did. Of Cole, they said, he "has published a paper, remarkable for nothing but the subservient manner in which it has puffed, praised and flattered certain men who have ambition without patriotism, intrigue without talents, and place without merit. The other [Dowling], however, has substantial claims to the office . . . and is withal as clever a fellow as ever hailed from the Emerald Isle." Indianapolis *Indiana Journal,* January 30, 1841.

[3] Dowling and Cole never established a newspaper in Indianapolis.

We have had under discussion this forenoon a bill to prevent the imprisonment of Indians in civil cases. It is founded on the memorial of Gen. Milroy, the present Indian agent, who states that great frauds are practised upon the poor Indians by process of law. Suits are commenced against them, sometimes upon unjust claims. They are thrown into prison to await trial of the case, and are thereby forced into compromises which most iniquitously strip them of their property. An Indian loves his native woods. He delights in its lawless freedom—confine him, and he instantly languishes. His soul repines within him; property under such circumstances, is of no value to him. He would yield it up as readily as a generous man would give a glass of water. The little annuity granted them by the Government would be given up without hesitation even to satisfy the most unjust claims. The object of the bill is to prevent this evil. What may be its ultimate fate I cannot say. It calls forth considerable debate, and some personal recrimination.[4]

A Bill granting to either party the right to demand a jury, in cases where persons claimed as fugitives from labor from another is now under debate. The question is on the indefinite postponement of the Bill.[5] My colleague[6] is holding forth in favor of the Bill, and that too in a manner that cannot well be answered. They may vote him down by force of numbers, but are unable to refute his reasoning. He is correct in principle, and when such is the fact it is easy to put a host of opposers to flight. My colleague, to be sure, is not eloquent, but he talks good plain sense, and that is a useful commodity in a body like this.

I think we will adjourn in about two weeks. If we had a revenue bill passed I am ready to adjourn at any moment so far as I am individually concerned. I am disinclined to meddle much with the general laws. They are in a wretched condition it is true, but the only effectual remedy will be a general revision of them, and this will take place in two or three years. There is now a bill to authorize the Governor to make such revision.[7]

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[4] The bill was passed and approved. *Laws of Indiana,* 1840-41 (general), p. 134. See also below, 218-20.

[5] Test was chairman of the select committee to which was referred a petition from the Society of Friends "praying the enactment of a law allowing persons of color the right of trial by jury, when apprehended within the jurisdiction of the State of Indiana as fugitives from labor." The committee reported the bill to which he referred. It was indefinitely postponed by a vote of 22 to 18, not 22 to 19 as Test states below. *Senate Journal,* 1840-41, pp. 289, 306, 351, 361-62.

[6] Achilles Williams, senator from Wayne County.

Yours &c.

CHARLES H. TEST

N.B. The bill under debate relative to fugitives from labor is indefinitely postponed. Ayes 22. Noes 19—and several did not vote.

Samuel Judah to Editor of Vincennes *Saturday Gazette*[1]

INDIANAPOLIS, Jan. 24, 1841

MR. CADDINGTON:

SIR:—The legislature has now reached that point in its business when action on the important measures which have been preparing must be had.

The house will adopt an entire new revenue system on the Ohio plan. It provides for a Co. Auditor, and for a Co. Treasurer who is the collector, both elected by the people, and for state and county boards of equalization. It will induce a just system of valuation in every part of the state, it will cause all the property subject to taxation to be taxed, and it will lessen the expense as well as the risk of mistakes. It will increase the annual income of the state, at the ordinary rate of taxation, at least $20,000 per year. These bills will pass the senate.[2]

My Bank Bill has passed the house amended by striking out the 5th, 6th and 9th sections, and will so pass the Senate. Hence an income of about $100,000 per year is secured to the state, the sinking fund will be converted into bank stock, and the bank will issue small notes.[3]

[7] See above, 151n-52n.

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[1] Vincennes *Saturday Gazette*, January 30, 1841.

[2] See above, 85n-86n, for the provisions of these bills for assessing and collecting revenue.

[3] *Laws of Indiana*, 1840-41 (general), pp. 202-4. This was an act "to provide in part for the payment of the interest on the public debt, and

The amended congressional School Bill will become a law. It is an improvement.[4] I have been informed that an opinion prevails about Vincennes, that the School section near Edwardsport does not belong to our township. *It is a gross mistake.* That section as well as our share of the money deposited by Mr. Purcell in the bank belongs to our congressional township. Knox county is better provided for on the subject of Schools than any other county in the state. . . .

The rate of taxation is not yet determined. It will be thirty to forty cents on the hundred dollars.[5]

Nothing has been yet done in classification. The Terre-Haute men seem pleased with their bill for a part of the cross-cut. They give security to pay the interest of the bonds to be issued for them $80,000.[6] I noticed an unkind remark in Stout's[7] paper some time since about the river improvement. Mr. Stout should remember that when last winter I made an effort for the river, every Van Buren member voted against it, and by the Previous Question, put it down. The Bill reported to the house by C. B. Smith, chairman of the canal committee, is the most reasonable bill—is the most beneficial for our Road and River, and *will be made more so*—and has more friends than the other—But it is very doubtful whether it will pass.[8]

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to increase the stock of the state, in the state bank, and to authorize said bank to issue notes of a less denomination than five dollars." It provided that the Sinking Fund be invested in bank stock, the revenue to revert to the state treasurer to redeem the debt due by the state for bonds sold for bank purposes. This act was superseded by the act passed a few days later by the Assembly whereby, along with the Sinking Fund, the surplus revenue, the Saline Fund, and the State Bank School Fund were to be invested in bank stock, and the Bank's privilege to issue small notes was enlarged. *Ibid.*, 192-94. The board of directors of the State Bank at their February meeting in 1841 provided for the printing and distribution of the small notes. Indiana State Bank, Proceedings, in Archives Division, Indiana State Library.

[4] *Laws of Indiana*, 1840-41 (general), pp. 51-96.

[5] See above, 118n, for the revenue bill passed by this Assembly.

[6] See above, 188n.

[7] Elihu Stout was editor of the Vincennes *Western Sun*.

[8] See report of House committee, headed by C. B. Smith, above, 180-90. By the act classifying the public works the improvement of the Wabash was placed in the first class. See above, 115n.

The house and senate have agreed to have but one printer hereafter. This will save considerable expense. A new firm, John Dowling & Cole, of Centreville, have been elected and have issued a prospectus for a new whig paper, "The Indiana State Gazette."[9]

The Governor is authorized to order an election for congressmen, if rendered necessary for a called session. Conventions will be held in each district to nominate candidates for congress.[10]

The whigs will not forget their dear bought lesson, "United we stand, divided we fall." The General Assembly will adjourn between the 10th and 16th of February.

Respectfully,

SAM'L JUDAH

Bigger to the Senate: Transmits Resignation of Prosecuting Attorney[1]

EXECUTIVE DEPARTMENT, January 25, 1841

HON. SAMUEL HALL, President of the Senate:

SIR—William J. Peaslee, Esqr. Prosecuting Attorney, of the 5th Judicial Circuit, has this day resigned said office, of which please inform the House over which you preside.

Yours respectfully,

SAMUEL BIGGER[2]

Report of House Committee on the Condition of the State University[1]

[January 27, 1841][2]

TO THE HON. SAMUEL JUDAH, Speaker of
the House of Representatives:

The legislative committee appointed by a resolution of the

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[9] See above, 195-96n.

[10] See below, 235-36.

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[1] *Senate Journal,* 1840-41, p. 392.

[2] Hugh O'Neal was elected by the Assembly on January 29 to succeed Peaslee. Others receiving votes were Abraham A. Hammond and Benjamin B. Bull. *Ibid.,* 425.

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[1] *Documentary Journal,* 1840-41, House Doc. No. 31.

[2] This is the date on which the report was presented to the House.

General Assembly, adopted 21st day of Feb. A. D. 1840, to inquire into the condition of the State University,[3] and the causes of its decline, as also to inquire into the proper means to be adopted to secure its prosperity, and also to inquire into the expediency of establishing an agricultural professorship, report as follows to-wit:

That a majority of said committee met for the purpose of discharging the duties imposed on them by said resolution, at the University Chapel in Bloomington, on the 19th day of May, 1840, and commenced the investigations necessary to meet the requisitions of said resolution. These efforts of the committee were materially assisted by the action of the board of trustees of said University, who appointed a committee consisting of five gentlemen of their body, to meet the legislative committee, and furnish them with such information in their possession as might be found useful in the course of the investigation then proposed. This committee consisted of Messrs. Hendricks, Owen, West, Hester and Maxwell, and the committee deem it an act of justice to these gentlemen, to state they co-operated efficiently by promptly answering the calls made on them for information by the legislative committee, during the whole of its session. At the request of the committee of investigation, they were furnished by the committee on behalf of the board of trustees, with a condensed historical account of the institution, as also a tabular statement of the funds of the institution.[4]

These documents herewith submitted . . . are sufficiently explicit on the subjects of which they treat, and in the opinion of the committee need but little comment. By these documents it appears that the total of the funds of the college, arising from donated lands amounts to $117,821 84. In addition to other information in relation to the available funds of the University, and the amount of unsold lands belonging to it, these documents contain a valuable and interesting abstract of the early enactments of the Territory in relation to this institution. Your committee accord fully with the deductions drawn by the committee appointed on behalf of the trustees of the University from those enactments, and cannot express too strongly their approbation of the liberal and enlarged views of the *then* Governor, and Legislature (1807) in relation to education. Many of the provisions of those enactments are worthy of imitation at the present day.

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[3] This committee was appointed under a concurrent resolution of both houses. *Senate Journal,* 1839-40, p. 165; *House Journal,* 1839-40, pp. 337-38. See *Messages and Papers of David Wallace,* 343-44n.

[4] This historical account is printed in the *Documentary Journal* as part of the committee report.

The investigating committee next directed their attention to the causes of the decline of the University in public favor. The conduct of the President of the University, has been on more than one occasion the subject of severe criticism in the public prints and elsewhere, and the committee soon after their meeting, instituted an inquiry into the justice of these complaints. This inquiry was conducted openly, and in such a manner as to afford every legitimate means of accusation and defence. The committee were induced to take a wider range in their investigations into this matter, than they would otherwise have deemed necessary or proper, from the fact that a previous investigation into the conduct of Doct. Wylie had been had, and complaints had been made by persons inimical to him, that sufficient latitude had not been allowed the accusers in making and sustaining their charges against him.

After the most patient investigation of the evidence adduced, the committee *unanimously* concur in the acquittal of Doct. Wylie of all the charges preferred against him, and see no reason whatever to suppose that any conduct of his has been prejudicial to the institution.[5] On the contrary they believe him to be eminently qualified for the station which he occupies, and find from the investigation that he has discharged the high trusts committed to him with an ability and fidelity worthy of all commendation; although surrounded with almost insurmountable difficulties and embarrassments. The committee in the course of their investigations called upon the petitioners, who preferred those complaints to the legislature, which caused the passage of the resolution under which the committee of investigation acted, and none of them (except one) made any statements calculated to throw the slightest suspicion of blame on the accused. On the contrary some of those petitioners who had entertained suspicions injurious to Doct. Wylie became in the progress of the investigation so well satisfied of the injustice of those suspicions, as to be induced voluntarily to furnish your committee with written statements expressive of their approbation of his conduct.

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[5] Governor Wallace referred to this acquittal in his message of December, 1839. *Messages and Papers,* 343. See also James A. Woodburn, *History of Indiana University, Volume I, 1820-1902* (Indiana University Press, 1940), 119-20.

The only one of the petitioners who gave it as his opinion that Doct. Wylie had been to blame in the management of the institution, did not support that opinion by any testimony. Your committee entered into a minute inquiry as to the causes of the decline of the University in the number of its students. Your committee refer to document No. 3, as containing the opinions of the President of the institution in relation to its decline.[6] On the same subject your committee also refer to document No. 4, being a memorial of the citizens of Bloomington and of the county of Monroe, remonstrating against the removal of the University, stating their opinion of the causes of the decline of the institution and exempting the *present* faculty from the censure of producing it.[7] In the opinion of your committee the causes which have produced the decline of the University may be divided into two classes. 1st. Such as operate injuriously on most of the institutions of the country; and 2dly, Such as are peculiar to the circumstances of this institution and its peculiar organization and management. Under the first head the most prominent of those causes is the indulgence which the parents of the students have been disposed to grant to them in supplies of more money than is sufficient for their reasonable wants during the sessions of the university. This practice always induces extravagance and excesses amongst

[6] Dr. Wylie's letter is printed in *Documentary Journal* following the committee's report. It has not been reprinted here. Dr. Wylie attributed the University's decline to (1) reproach brought on the school by the extravagant and idle habits of some of the students; (2) the dissatisfaction of the faculty which had permeated to the student body; and (3) the opening of other colleges in the state, such as Franklin and DePauw.

[7] This memorial has not been found.

the students, the odium of which is by the community thrown on the institution. To remedy this evil, the committee would suggest a legal provision requiring the pocket money furnished by the parents to the students, to be paid at the opening of each session of the University into the hands of some officer, appointed by the faculty, to be by him paid out for such outlays as might appear in his descretion to be reasonable and proper, and in connection with this to make it penal for the shop-keepers and other dealers in goods or groceries to sell to the students on credit. Under the present head may also be stated those jealousies and prejudices existing in every community against institutions of learning which in the neighborhood of universities assume a personal character and are directed against the persons who have charge of the institution.

The Indiana University and its professors have suffered in no small degree, from the operations of this cause.

Under the second head, the most prominant one is in the number of the board of trustees, (21.) In order to avoid the influences of sectarianism, it was thought best to have a large number of trustees. In the choosing these trustees, men of different religious prejudices were thrown together in such a manner as to combine all the elements of religious discord. This method of choice has resulted in petty bickerings and discontents, which have operated very injuriously on this institution and the reputation of the professors. To remedy this evil, the committee propose a reduction in the number of the board.

Your committee found on investigation, that this institution had been injured to some extent, by several rival colleges and theological seminaries, the management of which had been placed in the hands of persons belonging to some of the religious sects of the country.

While the committee approve of allowing the fullest latitude to the various religious sects of the community in educating their children in their own way, they believe it right for the public to sustain at least one college in which the sciences are taught and the morality of the bible inculcated, without any reference to the peculiar tenets of any sect of christians; and they therefore recommend to the guardian care of the legislature our present State University. After a full examination of the subject, your committee can see no good reason at present for the removal either of the University or the President. Your committee believe the reasoning in reference to the removal of the institution, in the document (No. 5) herewith submitted,[8] to be conclusive, and are indisposed to weaken those arguments by attempting to expand them.

The present faculty have been selected with a view to their high moral character and scientific acquirements, and the committee have every reason to believe that the institution under their superintendence, will be well and ably managed. We deem it unnecessary at this time to form an agricultural professorship in the Indiana University. The public mind is already aroused on that subject, and societies are springing up over the State, which will doubtless accomplish the objects of such a professorship in an effectual manner.

Your committee herewith submit a bill embracing such provisions as they deem necessary for the benefit of the institution, and recommend its adoption.[9]

Respectfully submitted,

JAS. H. CRAVENS, Chairman
JOHNSON WATTS,
JOS. S. JENCKES

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[8] Not found.

[9] The Assembly responded favorably, passing an act "for a better regulation of the Indiana University." By it the board of trustees was reduced to nine and the following persons named to the board: Miles C. Eggleston of Jefferson County, William T. S. Cornet of Ripley, Robert Dale Owen of Posey, Nathaniel West of Marion, John Law of Knox, David H. Maxwell of Monroe, Elisha M. Huntington of Vigo, Lot Bloomfield of Wayne, and James Scott of Clark. The act also stated that civil courts of the state should have no jurisdiction to punish trivial breaches of the peace committed on the campus. Students were to be exempt from militia duty and from road taxes while attending the university. *Laws of Indiana,* 1840-41 (general), pp. 110-11.

Jesse Morgan to Editor Rushville *Whig*[1]

REPRESENTATIVE HALL, January 28th, 1841

MESSRS. EDITOR:—In the last number of the Whig, I noticed an editorial article that closed thus: "several *Classifying* reports have been made, accompanied by suitable bills, but none of them appears to suit the majority of the Legislature, and none of them, we think, will be passed. The Legislature had as well adjourn." If this article had met my eye in a loco foco Journal, it would have occasioned no surprise, because it is the warmest aspiration of the heart of every loco foco in this House, and the other end of the Capital too, that the Legislature would do just what you say they had as well do. Now I entertain too high an opinion of your sterling honesty to doubt for a moment that you will stand corrected, if I can satisfy you that the facts did not warrant your conclusion.

Let us for a moment take a cursory view of the acts of the present session, so far, and compare them with the last, or any previous one, within five years past, if you please, and see how far the assertion so often made, that nothing has, or is likely to be, done will be borne out by the facts.

It is true, we have not had so many, nor such long-winded speeches for Bunkum as is usual, and perhaps this is the way the impression has got abroad that we are doing nothing; because the newspapers do not teem with exciting and inflammatory speeches, as they did last year. But I would have you know that some fifty or sixty old farmers in the House believe that in legislating, as well as other matters, action is preferable to so much talking.

The first step in the work of reform this session, was the rejection of the resolution to take newspapers to be paid for out of the treasury, by which we saved of the people's money, say $2,000, besides establishing a good precedent.[2]

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[1] Rushville *Whig*, February 6, 1841. Morgan was serving his third term in the House as Rush County's representative.

[2] Early in the session Thomas Dowling of Vigo County introduced a resolution "that the Sergeant-at-Arms of the House be directed to contract with the editors of the *Indiana Journal* and *Indiana Democrat* for the delivery of *one* number of their respective papers to each member,

The next great step was the breaking up of that long established, but odious custom, of adjourning over the holidays at the people's expense; thus saving some $3,000, and what is not least, have passed a law that will effectually prevent adjournments in future, while it remains unrepealed.[3]

Another important measure of retrenchment and reform, is the reduction of the number of Petit Jurors, which will save in the aggregate, according to the best estimate I can make, at least $10,000 annually.[4]

If the series of Revenue Bills that have passed the House, shall pass the Senate, (of which I have no doubt) it will save to the county of Rush alone, between $700 and $1,000 in the collection of the Revenue this year; and in the whole State, the saving cannot be much if any less than $20,000, and besides the saving of expense, the thorough reform made in the whole Revenue system, is well worth the labor of a whole session, and ought to exempt us from the charge of having done nothing, if we did nothing else.[5]

Another item of retrenchment not to be grinned at, is the reduction of the price of public printing, at least 33 per cent., which would be a saving of at least $3,500 on the amount of printing done last year. But assuming what will be the fact, that the Whigs will not order quite as much printing as the locos did, still we may set down the saving in the next three years in this item alone at $10,000.[6]

A bill has passed the House, and will no doubt pass the Senate, reorganizing the State departments, and so systematizing the duties of Auditor, Treasury, and Secretary of State, as to make a great

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on every publication day during the present session of the General Assembly." The resolution was laid on the table. *House Journal,* 1840-41, p. 52.

[3] A reference to the act providing that "no member shall receive any per diem allowance during any recess of the legislature, who may have voted for such recess, if such recess be longer than two days, exclusive of Sundays." *Laws of Indiana,* 1840-41 (general), pp. 166-67.

[4] A reference to the act limiting the number of petit jurors to fifteen for each week of the regular term of the circuit court in certain counties. *Ibid.,* 157.

[5] For provisions of these acts see above, 85n-86n.

[6] The act providing for the election of state printer also set the price to be paid such printer. *Laws of Indiana,* 1840-41, p. 141.

improvement in the laws heretofore in force on these subjects. And here again is a reduction of salaries to the tune of $1,000 a year.[7]

The Legislature will adjourn on Monday the 15th of February, being a session of ten weeks. Here again will be a saving over last year of more than $7,000. Now sum up all these little items of retrenchment, and you will find they amount to the pretty sum of $53,000, or about $15,000 more than the present session will cost.

With all these evidences of an effort to legislate for the good of the State before us, would it not be well to withhold the sentence of condemnation, at least till after we adjourn.

If this Legislature does not produce a larger volume of general laws, and those of more importance than has been passed at any previous session for many years, why, then let the people complain, and we will submit without murmuring.

The same conflicting interests that have hitherto prevented a classification of the public works, are still operating, and it is extremely doubtful whether any thing can be done. Mr. Smith's classifying bill has been laid upon the table, and the bill of the minority of the classification committee taken up, but no action had upon it, to test its strength. Its fate will probably not be known till some time next week.

JESSE MORGAN

Samuel Judah to Editor Vincennes *Saturday Gazette*[1]

INDIANAPOLIS, Jan. 30, 1841

MR. CADDINGTON:—The resolution to adjourn on the 15th February has been adopted. On Thursday [Friday] the very able and indefatigable chairman of the committee on the canal fund, Mr. Mason, made his report. The House considered it so important, that 2,000 copies were ordered to be printed.[2] He has made a thorough examination of our pecuniary concerns, and a manly

[7] See above, 169n.

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[1] Vincennes *Saturday Gazette,* February 6, 1841.

[2] *House Journal,* 1840-41, p. 531 (Friday, January 29). The report is given in the *Documentary Journal,* 1840-41, House Doc. No. 30.

business-like exhibition of our situation—the first we have had of the kind. Mr. Mason was placed at the head of that committee, in the full confidence that such would be the result.

The amount of state indebtedness as apparent on the books is $13,538,000.

We also owe as follows:

Borrowed by Stapp to pay interest	$256,000	
The Treasury	30,000	
Interest on debt to the State Bank	64,000	
Treasury Notes	70,000	
Wabash and Erie Canal scrip	86,000	506,000
		$14,044,000

And there are besides at least $200,000 of unsettled claims against the state, so that our debt may be called $14,250,000.

Of this debt, we contracted for bank purposes	$ 2,390,000
And for Internal Improvement purposes	11,860,000
We have received for the Bank	1,390,000
And we have received for Internal Improvement purposes from all sources	9,260,924

This large amount has been expended as follows:

For the Wabash & Erie Canal	$ 1,886,624
Works in the system of 1836	5,760,322
Interest	1,128,033
The compromise property in New York	394,369
Sundry small items	91,574
	$ 9,260,924

The amount of State Bonds issued is	$11,557,000
Actually received is	8,342,732
And the amount due the State in New York is	3,490,379

And yet, only the day before Mr. Mason made his report, I was called a nullifier, because I said that the State owed at least fourteen millions, and could not pay the interest.

The bill proposed by me at the commencement of the session, as amended, has passed. It allows the Bank to issue $1,000,000 in small notes and requires from the Bank a bonus of one per cent on that amount. It loans to the State the profits of the sinking fund, and it directs a portion of the sinking fund to be vested in State Bank stock on the part of the state. I have seen a calculation in the hand writing of the cashier of the State Bank, Mr. Ray, which estimates that the State will gain an income, by this act of $103,000 per year. I have estimated it at $80,000, and shall be content with that. The sixth and seventh sections of the bill were struck out by the House, in consequence of the opposition of the Bank men. Those sections provided that the Bank interest should be raised one per cent. and that the proceeds of the one per cent should be paid into the State Treasury.—I thought it right. The State has almost one million of dollars loaned out at eight and nine per cent. and I cannot see the justice of making the Bank loans at six.—This operation would have benefitted the Treasury at least $40,000 per year.

The interest and expenses on $14,000,000, is		$840,000
To meet this, we have paid by the Bank	75,000	
By the Lawrenceburgh and Indianapolis R. R. Co.	11,000	
The supposed profits under my bill	80,000	
	162,000	162,000
To be met by taxation		$678,000

Four months since Mr. Stapp supposed that the suspended debt would pay its own interest—but the times are constantly growing worse. We know that all the other annual resources of the State will be paid into the Treasury, in Treasury Notes,—and the annual expenses of the civil list is ....$ 90,000

Total amount required $768,000

124,000 Polls, at 50 cents is ....$ 62,000

Seventy-five cents taxes will probably produce $750,000, at the usual rate qualification, but we cannot expect that rate to continue under the increased and continued pressure for money, and it is more reasonable

to estimate the proceeds of 75 cents at	$720,000
	$782,000

A mere fraction more than the absolute wants of the Treasury.

But although this enourmous tax is levied—it cannot be collected in cash—it must be paid in Treasury notes. And so, at all events, our interest must be left unpaid.

Here then is the end of all our golden dreams. Here the consummation of all those visionary schemes, engendered by ambitious aspirants for seats in Congress, developed in the Wabash and Erie Canal, expanded in the system of 1836, and was terminated in bankruptcy, dishonor and disgrace.

The only remedy for this State, and for all the indebted states, will be found in *an assumption of State debts by the United States.* I have twice proclaimed this doctrine in the House, and shall continue to do so.[3]

Very respectfully,

SAM'L JUDAH

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[3] This plan of wiping out, or at least reducing, the state debts was first suggested in 1839 and gained considerable favor. It was generally believed that it originated with foreign bankers; whether true or not, they were strong advocates of it. During the election campaign of 1840, arguments for and against it were proclaimed. Those in favor argued that it would enable the states to complete their improvement programs and that the Federal government could refund the state bonds at a lower rate of interest and thus save nearly half of the ten or twelve million dollars per year which the states were paying in interest, much of it to foreigners; among the arguments against it were that it was unconstitutional, it would make the states not in debt bear part of the burdens of states which had over borrowed, it would cause higher tariffs, promote a strong central government, etc. As state after state defaulted, the assumption movement gained strength. In Congress, a committee of the House was appointed in December, 1842, to consider the matter. Headed by William Cost Johnson, of Maryland, they presented a voluminous report the following March in favor of assumption by the Federal government. The tabling of the report by the House brought a death blow to the plan. B. U. Ratchford, *American State Debts* (Duke University Press, 1941), 100-4.

Report of Select Committee of the House on Appointment of Superintendent of County Schools[1]

[January 30, 1841]

MR. SPEAKER—

The select committee to whom was referred the resolution of the house, respecting the appointment of a Superintendent of common schools;[2] having examined the subject with that attention its importance seemed to require, they have directed me to make the following report:

The office of Superintendent, has been adopted in a number of the States; as well as in several countries of Europe, where systems of common schools have been established: and every where, as far as the committee have ascertained, with unequivocal success. In Ohio, Pennsylvania, and New York, the press teems with evidence, of the salutary influence, that may arise from the exercise of one enlightened mind, having all its energies concentrated upon one object, the development of all the resources of the State, belonging to education, and giving a proper direction to its varied interests. In those States, under this officer, the school funds have been better preserved and distributed; the qualifications of the Teachers advanced, parents have been aroused to a higher appreciation of the benefits of education. The school houses, the kind of books, and the whole cause submitted to his care, and supervision, has received an impulse and improvement, highly gratifying to the friends of such an office, and amply remunerating the public, for its costs. Although in Pennsylvania, and for a long time in New York, the duties of Superintendent were discharged by the Secretary of State. In consequence of which, the Superintendent was prevented from visiting the different portions of the State, and giving that individual attention to the interests of education, so necessary to realize the full benefit of his appointment.

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[1] *Documentary Journal,* 1840-41, House Doc. No. 48; *House Journal,* 1840-41, p. 541.

[2] The portion of Governor Wallace's message relating to the appointment of a superintendent of common schools (*Messages and Papers,* 475) was referred in the House to the committee on education, along with another resolution directing the committee to inquire into the expediency of providing by law for the appointment of a superintendent of common schools to be paid out of the interest of certain school funds then in the State Bank. The committee reported the appointment of such an officer to be inexpedient. *House Journal,* 1840-41, pp. 344-45. Morris Lancaster of Wayne County, a member of the education committee, then moved to recommit the report and resolution to a select committee which, if it deemed it expedient to appoint a superintendent, should report a bill defining his duties, privileges, and salary. This was agreed to and Lancaster was appointed chairman of this select committee which included James Farrington and Samuel Brenton.

The committee conceive that the situation of our school funds, and the condition of the common schools among us, seriously require a more rigid investigation, than they are likely to receive under existing arrangements. It is found by a reference to the returns of the United States Marshal, for the State of Indiana, that in the number of our citizens destitute of any education, and in the number of our schools, and of pupils attending them, compared with all those between five and twenty one years of age, to be educated, as well as with those States, having a more efficient organization, and where they have had for years the aid of a Superintendent, our situation presents a most unfavorable appearance.

The whole number of children in the State, between the ages of five and twenty one years, amounts to near three hundred thousand. Of these, there are of males, between five and ten years, 57,291; between 10 and 15, 46,224; and those between 15 and 20, 36,592; whole number of males between five and 20 years, 140,107; of females, between five and 10 years, 53,590; between 10 and 15 years, 43,089; and those between 15 and 20, 37,422; whole number of females between five and 20 years of age, 134,101. We find in our six Colleges and Universities, 392 students. In the 49 Academies and Grammar Schools, 2403 students. In the 1485 primary and common schools, 44,010 students, and 7,709 of them at public charge, while 38,062 white persons over 21 years, are returned as unable either to read or write.[3]

What an exhibition is here presented of the state of education with us. Not a sixth of those whom the law contemplates as objects of its care, and whom the framers of our constitution, with parental regard, decreed should receive the boon of knowledge, were enjoying at the time the census was taken, the privilege, which, under proper regulations would be inestimable, of an attendance even in our primary, and common schools. While in the State of New York, under her enlightened system, which the aid of her Superintendents, has greatly assisted to produce, scarcely any are found of suitable age, who have not been recipients of the benefit of a common school education. While near forty thousand of our population, the ages past, are excluded—to them the volumes of its history, the recorded lessons of human experience, have never been unfolded. The wisdom of antiquity cannot instruct, its eloquence animate, or its poetry delight them. And that communication, with enlightened minds of every age, that books afford us, the ruthless fiat of their destiny, that has denied them an acquaintance with letters, has forever closed. Even the story of our nation's birth, its toils and trials, the glorious manifestations it has given to the world, of the genius and virtue of our patriot sires; and of those pure lessons of patriotism they taught, come to them but as traditions, wild, and doubtful, misleading by their errors, and losing the influence of their high example, in that benighted atmosphere, through which its images are conveyed.

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[3] The figures differ slightly from those given in the records of the Census of 1840.

Who will say, that we are discharging all our obligations in respect to the birth-right which every child in the community possesses, to a good education?

Who can look with confidence to the exercise of popular opinion, the ruling power of our country, when that opinion is thus wanting in those attributes of intelligence, necessary to its proper direction? To make its government beneficial, to enable it to uphold unwavering our political fabric, to derive from it, the greatest good, it is capable of yielding; all the elements of its power should be moulded and associated with reference to the character of the subjects upon which it is designed to act. At the present time, we have a tide of emigrants flowing in upon us, from foreign countries, many of whom are unlettered, and all to a great extent deficient in an acquaintance with our institutions, and the character of our interests. Yet in a few years, they attain the privilege of voting, and become constituents of that sovereignty, that governs the destinies of our land. If we neglect then the education of our children, and rear up among us, in addition, a large portion of our population, uninformed of the history of their country, the nature of its government, and of its diversified interests, and neglect so to discipline their understanding as to give them the power of judging for themselves; those foreign materials, instead of catching the spirit of American society, and blending harmoniously with it, and losing their distinctive features, in their association with the mass of enlightened intellect in their adopted country, become lost in the intellectual darkness around them; and drawn by their affinity, combine with the uninformed of our community, and together, offer to the scheming and heartless politician, suitable instruments for his promotion, and the accomplishment of his ruinous and selfish designs.

Such a result is not incompatible with pure motives and love of country, and a disposition on the part of the voter, to assert his independence and act for the public good. The blind man may desire to walk in a straight and narrow path, and yet he may continually wander astray, and his feet stumble by the way side.

When we reflect upon the number and the magnitude of the interests, which, during the last ten years, have been submitted directly to the American citizen as the sovereign power, for his investigation and decision, which it was essential for him thoroughly to understand, in order to give an independent vote, and sustain that wonted equality of influence, which is the vitality of republics; we perceive how utterly impossible it is, without the education of all classes, and indeed of every voter, to preserve the best interests of our country, from being sacrificed; and the most cherished rights, from being virtually surrendered. We are reminded also, of the inadequate security our present school system affords us, of an enlightened and independent exercise of the duties of freemen.

The committee are of opinion, that the apprehension entertained by some, of the insufficiency of our school funds, to support a more efficient system, is not well founded, provided the funds are rightly employed. What the amount of our funds is, it is impossible at present to determine with accuracy, owing to the manner in which they have been used, and the uncertainty connected with their securities. We are perhaps more unacquainted with the situation of our means, applied to education, than any other State in the Union; and it certainly presents a strong reason [exclu]sive of any other, why a Superintendent should be employed, to have our resources hunted up, and their true condition presented to the Legislature, and to the country. Separate however, from the bank capital, the Saline fund, tax on bank shares, surplus revenue loaned by Treasurer of State, surplus revenue loaned to counties; and the proceeds from lands returned for non-payment of taxes not yet collected and disbursed, affords together a capital of near $700,000, and yields possibly $50,000, per annum. If, however, the proceeds of all the funds alluded to, were collected, or secured, and made available to the important purposes, for which they have been appropriated, and those arising from the sales of land funded; the capital would be augmented, and its productiveness greatly increased, and would afford a sufficient pecuniary basis if well employed for a highly improved system of common schools.

It has been found, that a large fund, one nearly sufficient for the whole purpose of education, except where a compulsory system, similar to the Prussian is in force, is more injurious, than beneficial. The public fund should be used in such manner, as to act, as an inducement to parents; and the community generally, to cooperate with the State, by raising the greater portion of the necessary means, by taxation, among themselves. Where a man contributes towards any object, a portion of what he has gained by his labor, he will always feel a greater interest in the manner of its disbursement. This contribution secures his attention, and his assistance. It induces him to examine with more care, the ability of the teacher, and the manner he discharges his trust, and to unite with him in rendering his expenditure as serviceable as possible. Of the truth of the position, that parental affection is a sufficient, and the only guaranty for the education of youth, where the State contributes the entire means, or wholly neglects to provide any, we have abundant reason to entertain doubts. The physical wants of our nature, are the most urgent; and it requires the frequent review of moral consideration to prevent their engrossing our entire regard. And the disposition to detain their children from school, on account of their labor, frequently offers a serious impediment to their maintenance, in those seasons of the year, when their labor is the most profitable.

To establish and maintain common schools, it is essential that the community not only become convinced of the utility of education, but the character of those schools must be so elevated, as to make them equal to private ones, in order to prevent the diversion from them, of the aid of the more wealthy of the community. This, the poor man's college, should constitute the avenue through which all the branches of a good education can be acquired; you must offer reasons and inducements for the support and hearty co-operation of all classes of the community. To accomplish this, the aid of a Superintendent in the opinion of the committee, will be highly serviceable, if one of proper qualifications was appointed.

He could have charge of the school fund, and assign to each county, its quota of those funds. He could prepare and forward to the different fund, and school agents, copies of the law respecting their duties and forms of reports, to be made by them. He could devise means to improve the qualifications of teachers. He could furnish information respecting the position, construction, and furniture of school houses. He could shape and associate the heterogeneous materials of what might be made an excellent system. He could examine and ascertain the real situation of our school funds, the condition of our Seminaries and common schools, the state of [our educa]tion with the experience of other States and foreign countries on subjects affecting common schools, and present the result of his inquiries to the Legislature, with such suggestions relating to the improvement of our school laws, as would prove exceedingly serviceable to our future Legislation upon this subject.

He could also do much to enlighten public opinion and especially, where it is so much needed, impress upon the minds of parents, a clearer sense of the right course for them to pursue in regard to the education of their children, and improvement of their schools; for reformation must commence in parents, and the improvement of public sentiment anticipate or accompany that of the law, in order to be either permanent or salutary.

Feeling assured that the friends of education throughout the State, generally desire the appointment of a Superintendent, at least for a few years, until we could effect a reformation of our schools; the committee would press its consideration upon the house at the present time, as important to a subject around which concentrate the hopes of the parent, and the patriot; and in which live, all the promises of that high advancement of social and political condition, we ardently aspire to, in the future. Their duty being simply to bring the subject before the House for its action, they have not entered into the consideration of the wants, and of the importance of education among us, further, than to afford a brief illustration of the necessity of an improvement of our system.[4]

Bigger to the General Assembly: Objections to Act for Relief of the Miami[1]

EXECUTIVE DEPARTMENT, February 3, 1841

TO THE SENATE AND HOUSE OF REPRESENTATIVES:

I have this day approved and signed an act for the relief of the Miami and other Indians, which originated in the House of Representatives. The object of the act is evidently to protect the Indians from the oppression of their creditors, and omitting the 5th section, it is well calculated to secure this result.

This section is as follows:

"Sec. 5. No white man or negro shall hereafter have the benefit of any of the legal remedies for the collection of debts hereafter contracted by any Indian within the limits of the State

[4] The committee reported a bill (H. B. 291), but no action was taken on it. *House Journal,* 1840-41, p. 541. Two years later, in the *Revised Statutes* of 1843 (Art. 15, Sec. 136), provision was made for a superintendent of common schools, and his duties were set out. A later section (141) required the treasurer of state to perform the duties of superintendent. No other legislation regarding the creation of the office has been found. The first report of the superintendent, dated January 10, 1844, is in the *Documentary Journal,* 1843-44, Pt. 1, Doc. 10.

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[1] *Senate Journal,* 1840-41, pp. 479-80.

of Indiana; *and all contracts hereafter made with Indians shall be null and void.*"

Another section extends the provisions of the act "to all persons of Indian descent who are recognized as members of any tribe residing in the State of Indiana, down to those having one-eighth Indian blood."

An important inquiry arises as to what will be the effect of the above recited 5th section, and how far it will operate in their favor as a measure of relief.

Many of the Indians in this State are engaged in trade and commerce, and have extensive dealings with our citizens in the course of their business, alike beneficial to both parties. A number of them are engaged with our people in civilized pursuits. This law, by rendering all their contracts void, would cut them off from these pursuits and force them back to the employments of savage life, without the prospect of ever being able to regain their former position during the continuance of this provision among our laws.

It has now become the settled policy of the General Government to remove the Indians to the country west of the Mississippi, and as those remaining in the State are likely to dispose of their lands before long, it is most probable that their removal will follow soon afterwards. Members of the different tribes have become possessed, in their individual right, of valuable tracts of lands under reservations contained in various treaties. This 5th section would render it impossible for them to dispose of these lands or their other property to citizens of our State, in case the General Government should determine upon their removal.

A great many of the Indians have, at certain seasons of the year, to rely on supplies of grain and provisions purchased of the whites on credit, to be paid for when they receive their annuities from the General Government. The foregoing section would certainly prevent them, to a great extent, from procuring such supplies, and must frequently place them in danger of starvation. It would, at least, drive away the honest dealer, and leave them to the tender mercies of that class of traders who rely not on the justice of their claims, but on their influence and management at treaties and Indian payments to obtain money from the Indian.

Having no constitutional objections to interpose, and being unwilling to endanger the remaining provisions, which I regard as sound and wholesome, I did not deem it proper to return the act to the House in which it originated, and, under ordinary circumstances, I should have let the matter pass without notice. But as this is a subject deeply affecting a large class of people who are not represented in our Legislature, I deem it but an act of justice to them to recall your attention to the 5th section, respectively requesting you to review the ground of relief proposed in that section, so that we may not inadvertently do a great injury to the Indians when we were intending to confer a benefit on them.

All which is respectfully submitted,

SAM. BIGGER[2]

Report of House Committee on Ways and Means[1]

[February 5, 1841]

MR. SPEAKER: The Committee on Ways and Means submit the following Report:

The committee have examined the offices of the Auditor and Treasurer of State, and find that in consequence of the treasury notes, which were issued by the last Legislature,[2] a very unusual amount of labor has been performed in those offices within the last year, and in a manner too, perfectly satisfactory to the committee. The books, papers and accounts have been accurately and

[2] The act as passed and approved is in *Laws of Indiana,* 1840-41 (general), p. 134. The Assembly passed a joint resolution suspending the fifth section of the act for five years which was likewise approved. *Ibid.,* 135. For the reason for the passage of this act see letter of Charles H. Test, January 21, 1841, above.

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[1] *Documentary Journal,* 1840-41, House Doc. No. 33.

[2] The act authorized the issuing of treasury notes totaling $1,500,000 for the immediate relief of the contractors and others engaged on the public works, one half in denomination of $50 notes and one half in denomination of $5.00, both bearing interest at 6 per cent; the former were redeemable in two years, the latter in one year. *Laws of Indiana,* 1839-40 (general), pp. 17-21.

neatly kept, and every thing bears testimony to the fidelity and zeal with which those officers have discharged their respective duties. The following tables and estimates[3] show the data from which the committee deduce the amount of tax to be assessed, upon each one hundred dollars of property for the year 1841, to meet the current expenses and liabilities of the state for the year 1842. Table No. 1, is an abstract of the assessments, collections and payments into the treasury for the year 1840. Whence it appears that the net amount of Revenue for that year, was $171,079 45, and the amount actually paid into the treasury at the close of the year was $145,196 20, leaving a balance due of $25,930 16.

Table No. 2, shows the receipts and expenditures for the year 1840, by which it will be seen that the balance remaining in the Treasury on the first of January, 1841, was $166,558 16 cts.

Table No. 3, exhibits the balances due the State from the Collectors of the several counties from 1st of January, 1822, to 1st. of January, 1841.

No. 4, is an estimate of the means of the Treasury and the demands upon the same for the ordinary expenses of the State, for the year 1841.[4]

No. 5, is an estimate of the means of the Treasury and the demands upon it on account of Internal Improvements, Wabash and Erie Canal, and Bank debt, for the year 1841; from which it will be seen that the means of the Treasury after having deducted the civil list, will be $223,426 91, and the demands upon it will be $472,225 88 cts., which shows a deficit of $248,798 97 cts., at the close of 1841.

No. 6, is an estimate of the probable amount of receipts applicable to the expenditures of 1842, on the supposition that the tax on polls is levied at $1, and the tax on property at 40 cts. on each one hundred dollars.

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[3] These tables and estimates are printed with the report in the *Documentary Journal,* but have not been reproduced here.

[4] This table shows the estimated amount in the treasury at the close of 1841 to be $114,926.91; the expenses of the civil list for 1841 was estimated at $84,939.00. Compare these figures with those offered by the treasurer in his report, above, 67-68. The committee based their estimate on the supposition that the state would provide for the redemption of the treasury notes, that the State Prison would defray its own expenses, and that there would be no balance due the Seminary and Saline funds.

No. 7, is an estimated expose of the condition of the Treasury at the close of 1842, provided the deficit for Internal Improvements, amounting to $248,798 97 cts., is paid otherwise than by taxation, at the rate of $1 poll tax, and 30 cents on $100 valuation.

It will be seen by table No. 6, that upon the supposition that the poll tax is one dollar and the state tax is forty cents on each one hundred dollars, that at the end of 1842, there will be a deficit in the treasury of $182,883 85; but should the deficit of 1841, amounting to $248,798 97, included in the table as a part of the demands on the treasury for 1842, be provided for *otherwise* than by taxation, there will be a surplus in the treasury at the end of 1842, amounting to $65,915 12 cts.

It will be seen from No. 7, that exclusive of the $248,798 97 cts., the deficit of 1841, upon the supposition that the poll tax is one dollar and the state tax thirty cents on each one hundred dollars, that there will be a deficit at the end of 1842 of $40,244 88 cts.

If this legislature provide by special enactment for the deficit of 1841, amounting as above to $248,798 97 cts., then it will require a poll tax of one dollar and a state tax of 34 cts. on each $100 to meet the demands on the treasury for 1842, leaving a balance in the treasury of only $2,059.

As the foregoing estimates are all predicated upon the supposition that the present legislature will provide for the redemption of the Treasury notes now outstanding, and also for refunding to the Treasury the amount of Treasury notes and interest thereon received in payment of revenue for 1840, the committee deem it unnecessary now to report a bill upon that subject, but recommend to the consideration of the House, a bill now in committee of the whole, to provide for the redemption of Treasury notes, &c., which was reported by this committee on instructions received from the House at an early day in the session.[5]

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[5] The report of the ways and means committee made at the time the bill for the redemption of the treasury notes was introduced is printed

The committee have no means of procuring information in relation to the financial condition of the State not equally possessed by other members of the House, viz.: the reports of the Auditor, Treasurer and Fund Commissioner, and as these officers differ more than half a million of dollars in their estimates of the amount of state indebtedness, it is impossible for the committee to frame a report which will not be open to objection. They have done nothing more than present a few "estimates" which may aid some members of the House in arriving at correct conclusions as to the amount of tax necessary to meet the claims on the Treasury for the year 1842. The committee are of opinion that the last legislature underrated the patriotism of the people of

in the *House Journal,* 1840-41, pp. 324-25. The report shows that on April 20, 1840, $644,000 of $5.00 notes had been issued, $134,000 of which had been redeemed, leaving outstanding $510,000; that on September 20, $78,000 of $5.00 notes had been issued, $8,000 of which had been redeemed, leaving $70,000 outstanding. The total outstanding of $5.00 notes was therefore $580,000. The table also shows that on April 20, $575,000 of $50 notes were issued, and on September 20, $35,000 of $50 notes were issued, making a total of $610,000. This made a grand total of $1,190,000 of treasury notes to be redeemed.

The committee's bill to provide for the redemption of treasury notes then in circulation and for the payment of the contractors on the Wabash and Erie Canal did not pass. *House Journal,* 1840-41, pp. 325, 375, 628, 659.

A bill, introduced earlier by Samuel Judah of Knox County, to provide for the payment of the interest on the public debt and for the redemption of the treasury notes, did pass. It authorized and required the Fund Commissioners to use any portion of the suspended debt due the state and to sell any of the securities the state might hold for the payment of the suspended debt (with the advice and consent of the auditor, treasurer, and governor), and to sell internal improvement bonds, bearing a rate of interest that would command the money (not to exceed 7 per cent), all for the purpose of paying the interest on the state debt and for the redemption of the treasury notes. *Laws of Indiana,* 1840-41 (general), pp. 200-1. A supplementary act provided that except for the above purpose, no more bonds should be sold or issued by the state for any purpose whatever. *Ibid.,* 217-18.

The Assembly also passed a joint resolution providing for a joint commission composed of the auditor, treasurer, and secretary of state, to burn, within thirty days after the adjournment of the Assembly, all the treasury notes that may have been redeemed at the treasurer's office. It outlined in detail the steps to be taken in canceling the notes prior to burning. *Ibid.,* p. 220.

Indiana, when they decided in the midst of pecuniary embarrassment to reduce their taxes one half in amount, and though the committee are aware that the tax they recommend is calculated to test it severely, they know of no instance in which their patriotism has been appealed to, when that appeal has been in vain. A crisis has arrived in the financial condition of the State, and the action of this Legislature will raise the character of Indiana to honor, or sink it to infamy. Which shall it be?[6]

Respectfully submitted,

JOS. S. JENCKES

David Byers to Editors Bloomington *Post*[1]

INDIANAPOLIS, Feb. 7th, 1841

MESSRS. DEAL & BROWN:

GENTLEMEN:—The present session of the General Assembly of the State of Indiana, is drawing to a close; the people in the different portions of the State, seem to manifest a disposition of enquiry, what will be done to relieve the people from their present embarrassments; the first half of the session has been used principally in the transaction of local business, excepting however, the passage of the apportionment bill; of which the people of Monroe are already informed. Some matters of a general character have been lately acted upon. A Bill has passed, and has been approved by the Governor providing for the issue of small bills by the bank, not to exceed one million of dollars; the bank to pay one per cent. thereon for such privilege, to be issued and circulated in place of bills of larger denomination until the year 1841 [1846]; or in other words, the bank shall not increase her circulation beyond what she is now authorized by the charter. A number of bills have passed establishing a new system for assessing and collecting the revenue, something similar to the Ohio system. It provides for the election of an Appraiser in each county for the purpose exclu-

[6] This Assembly did raise taxes in accordance with the sentiments of the committee. See above, 118n.

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[1] Bloomington *Post,* February 12, 1841. Byers was representing Monroe County in the House. He was a Democrat.

sively to assess and value real estate; it further provides for the election of Assessor for the personal property in each county. It also provides for the election of Auditor in each county provided it gives 1250 votes, whose duty it is to act as a member of the Board doing county business, in conjunction with said board to equalize the value of real estate in the county and in all cases to perform the duties of Clerk for the board doing county business. The law further provides for the organization of a State Board of Equalization to be composed of a member from each Judicial Circuit in the State, to be elected by joint ballot of both Houses of the General Assembly, and it further makes the County Treasurer, the Collector of the State and county revenue; to take effect, and go into operation this year. There is great efforts making to classify the public works, by putting a portion of the White Water Canal and Indianapolis and Madison Rail Road in the first class, and all other works in the second and last class, and to make some appropriation to the finishing of those portions in the first class. A bill to this effect passed the House a few days since, but is so amended in the Senate that it will doubtless fall in the house when it returns for concurrence.[2]

A bill has passed and is approved by the Gov. authorizing Samuel Bigger to revise the laws. A bill has passed providing for opening and repairing public roads and highways in Monroe county; with several others local to said county.

The Revenue Bill for the present year was yesterday reported by the committee of ways and means fixing the ratio of taxation at forty cents for each hundred dollars and pole tax at one dollar; both propositions, however, were stricken out and in place of one dollar for pole tax 75 cents was inserted, when the house adjourned. What amount will be inserted in the first blank is yet unknown.[3] Every proposition on the subject of the Indiana University is at this time lying very comfortably on the table. This is all I have to say at present upon these subjects which may perhaps be a reiteration of what you have already been informed.

Not long since in looking over the columns of a number of the

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[2] See above, 115n.

[3] See above, 118n.

Bloomington Post, I was much surprised to see in an article of your paper, the present General Assembly of the State of Indiana, of which I am a member, denominated, a corn cob Legislature. After reflecting what virtue, intelligence and ardent love of country was manifested the past year by the people and by the press, and what a determination to reform our civil and religious institutions, and after reflecting upon the industry, the energy and economy of the members of this Legislature, I am made to wonder who shall picture to the mind's eye, the future greatness of Indiana, who shall describe the high moral and intellectual condition of her sons and daughters, when they shall have received the benefits of this winter's legislation.

I hope gentlemen you will find the charge not appropriate, and will take it back.

Your humble serv't,

DAVID BYERS

Samuel Judah to Editor Vincennes *Saturday Gazette*[1]

INDIANAPOLIS, Feb. 8, 1841

MR. CADDINGTON:—The past week has been spent by the Legislature on subjects of great interest. The revenue bills have been adopted by the Senate—and the State at last has a regular and well digested system for the collection of the state revenue, and for the collection, keeping and disbursement of the county revenue, accompanied with a proper system of accounts, and attended by a great economy in expense.—It is probable that this new system will not please some persons at first—but after a little practice it will meet the approbation of all.[2] A greater part of the week was devoted in each House to the Improvement question. On Tuesday, in the midst of a great excitement in the House about classification—the Senate sent a message announcing a bill suspending all the public works. The House bill was laid on the table, and the Senate bill was taken under consideration.

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[1] Vincennes *Saturday Gazette,* February 13, 1841.

[2] There was considerable opposition to parts of the new revenue measure, especially that part providing for a State Board of Equalization. See below, 263-66n.

The Senate bill was amended, by making the Wabash River, a part of the Madison Rail Road, and a part of the White Water Canal the first class, with appropriations from the suspended debt, and all the other works the second class. The bill thus amended was passed by the House, but is not yet concurred in by the Senate.[3]

On the same day, the Senate sent another message announcing a bill to prohibit the sale of state bonds for improvement purposes. This bill is of no importance, for bonds cannot be sold. It is well known that there now is for sale in the London market, American and European stocks to the enormous amount of eighty million sterling—$400,000,000, and a large portion of it of such superior character, as to preclude the sale of bonds of a state, whose finances depend on annual legislation for their management, and whose credit depends on direct taxes for its support. A long time must elapse before a market for State bonds can be found in Europe. The State of Indiana has invested, under the form of payments for construction, for contingencies, and for interest, about nine and one quarter millions of dollars in the public works. This large amount is as yet unproductive,—the interest on this is about $555,000. It is said, and I believe truly, that an expenditure of $2,750,000 more, would make the whole produce three per cent or $360,000—and thus improve our situation to the amount of $195,000, as then we would only have to meet by taxation $360,000 instead of $555,000, and our tax might be reduced to about 20 cents on the $100. Our only hope of getting the money with which to progress, depends now as far as we are concerned, on the suspended debt alone; and I must confess that I look on that as desperate, although the fund commissioner, General Stapp, who is now here, thinks that a large portion of it will be paid finally.

On Saturday the House considered the tax bill. The Poll tax was fixed at 75 cents, which I think precisely twenty-five cents too much. The principal men in the House expect to fill the blank for the property tax at forty cents—but I think it will only be thirty. *Neither is enough for our wants.* But the question is, how much ought the people to bear?[4]

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[3] See above, 115n.

We have yet to determine how to take up the Treasury notes in circulation.—Some arrangement must be made, or the whole revenue will be absorbed by their notes. It is now proposed to give to the Bank for the Bank debt—not bonds, but Treasury notes payable in New York, $5 notes, at two years without interest. It is said that the Bank board now in session will propose this plan. It is the best for the State, because it will save the excess of the interest over the exchange; for the people, because it will secure a reasonable circulation; and for the Bank, because these can be used, and the bonds cannot at present.[5]

SAM'L JUDAH

Charles H. Test to Editor Richmond *Palladium*[1]

INDIANAPOLIS, IA., 9th Feb., 1841

DEAR SIR:—We have just passed a bill entitled "A bill more effectually to secure the purity of elections,"—providing for punishing any one who shall vote or attempt to vote at any election without having the legal qualifications of a voter. I like this proposition to prevent frauds in elections much more than that of confining voters to their own Township. This punishes the guilty alone, and not the whole community. The other punishes the innocent with the guilty; not only so, this bill will more effectually guard against illegal voting, than the plan of restricting the people to their own Township.[2]

The House passed what is called a valuation law, which provided that real estate should not be sold under execution unless for two-thirds of its value, and personal property for one-half its value. The object of which was to give an eternal quietus to the further collection of all debts. We have just had a stay law[3] of

[4] See above, 118n, for the revenue bill.

[5] For the means provided for payment of the state debt to the State Bank see above, 105n-6n.

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[1] Richmond *Palladium,* February 13, 1841.

[2] The bill became a law. See *Laws of Indiana,* 1840-41 (general), p. 113.

[3] *Ibid.,* 1839-40 (general), pp. 49-51.

one year, and if this bill had passed it would have operated as a stay, for perhaps ten more. Those laws the object of which are to delay the payment of debts is clearly a flagrant violation of the constitution. If the Legislature can stay the collection of a debt for one year, they can stay it for ten; and if they can stay it ten, then they can nullify the contract altogether. But of all stay laws, the kind contemplated by the proposition from the House is the most odious. The accumulating *costs* and interest soon eat up the substance of the unfortunate debtor. The sheriff and clerk would be the persons most benefited by such law. This proposition came before the Senate without any evidence before us that it is demanded by the people. There are no petitions requiring it. The public press has not asked for it. The truth is that the measure is uncalled for; and would be almost universally condemned by the community. They passed their judgment of disapprobation to the stay law of last winter, and this measure is a thousand times more exceptionable than that. Besides which, it would destroy our credit abroad, and put us in the rear ten years. It is useless, however to talk of the expediency of the measure; the constitution, in my mind interposes an insuperable barrier to its passage. In fact, I am not willing to exercise even a doubtful power. Honest men will make sacrifices to pay their debts, while the less honest would take advantage of the valuation law. Its effect also, would be to prevent the poor man from obtaining credit.

The Senate struck out the bill of the House, and inserted a provision allowing the debtor one year in which to redeem his land where the same has been sold under execution by paying back the amount for which it was sold, and ten per cent. interest. This does not delay the collection of the debt, and at the same time sufficiently guards against any sacrifice of the debtor's property, nor is the proposition liable to any constitutional objection.[4]

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[4] The reference is to H.B. 227. The House objected to the Senate amendments and a conference committee of the two houses met and worked out a compromise measure. As enacted, the law provided that real estate could not be sold under execution for less than one half its value; upon redeeming his property the debtor was to pay 12½ per cent interest rather than 10 per cent. *Law of Indiana,* 1840-41 (general), pp. 130-32; Index to House and Senate *Journals.*

Excuse the haste in which this letter is written. I have been sick for near two weeks, the greater part of which time I have been unable to attend the Senate. I am yet exceedingly feeble, but I am getting well. There has been more sickness this winter among the members of the Legislature than I have ever known. Several are now confined to their rooms, and one (Mr. Freeman) dangerously ill.[4] Yours, &c.

CHARLES H. TEST

Bigger to Governor of Ohio[1]

EXECUTIVE DEPARTMENT,
INDIANAPOLIS, INDIANA, March 7, 1841

HIS EXCELLENCY THOMAS CORWIN, GOVERNOR OF OHIO,

SIR, By a Joint Resolution of the General Assembly of the State of Indiana, passed at the session just closed, a copy of which is herewith transmitted, it is made my duty to correspond with your Excellency respecting the completion of that portion of the Wabash and Erie Canal which lies within the State of Ohio. The prosecution of this work by Ohio has been the subject of repeated correspondence between the agents of both States, so much so as to render it [un]necessary for me to state the position which Indiana occupies with regard to this question, and explain distinctly why it is she manifests so much anxiety for the speedy completion of this canal on the part of Ohio.

On the strength of a liberal grant of land by Congress to this State, she has completed her part of the work from Lafayette on the Wabash river to the Ohio state line, a distance of 144 miles, at the cost of $2,000,000, all of which is now ready for navigation.

By the last annual report of your Board of Public Works, laid before the Legislature in January, it appears that the estimated cost of the Ohio portion of the canal is $2,270,000; the amount already appropriated by the Legislature is $1,847,000, of which there has been expended $1,666,000, leaving unexpended $180,000. The sum then necessary to complete the whole, including the fore-

[4] James S. Freeman, representative from Greene County.

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[1] Papers of Ohio Governors, Ohio Historical Society, Columbus.

going unexpended balance, is about $775,000, equal to about one third of the entire cost. It appears by the same Report that the work is expected to be finished by the spring of 1842, but the reservoir will not be completed before the latter part of the year 1843 without which the use of the canal cannot be calculated upon with much certainty. The lands acquired by Ohio, to aid in the prosecution of the work, and which I believe are untouched, are understood to be sufficient to defray one half the estimated cost of the whole line from the Indiana boundary to the Lake.

The solicitude so often exhibited by the Legislature of Indiana on this subject will be more fully appreciated by reference to the various interests which combine to give importance to an early completion of the work: The section of country interested in this question contains little short of 250,000 inhabitants and is rapidly increasing in population and wealth. The Wabash valley, for the extent and variety of its rich and productive soil and the activity and enterprise of its citizens, and its agricultural importance considered with reference to its recent settlement is not surpassed, if equalled, by any portion of the West. The extensive prairies of the valley have afforded facilities to the inhabitants which have enabled them at their first settlement to bring a large amount of surplus produce into market. It is true the Wabash river affords them a steamboat navigation for a short time every year from the Ohio river to the termination of the Erie Canal at Lafayette, which has been of great advantage; but the want of a direct communication with the East, by way of Lake Erie, has been severely felt. The only obstruction now in the way is the unfinished portion of the Wabash and Erie Canal lying within the State of Ohio. If the line were only completed from the state line to the Rapids, it would be of immense advantage to Indiana, by furnishing a canal transportation through a section of country where the roads are almost impassable.

Besides, Indiana finds itself at this time involved in a heavy and unproductive public debt incurred in the prosecution of other works none of which are completed. The large amount expended on the Wabash and Erie Canal must remain, comparatively speaking, useless until Ohio shall have finished her part of the work. The citizens of Indiana are looking forward with much interest to the time when the canal will bring a return for the expenditures incurred in its prosecution as a means to lighten in some degree the burdens now visiting upon them.

In the last annual report of your Board of Public Works it is stated that the work has been pushed forward with an energy that leaves Indiana no room for complaint. The manner in which this suggestion is made by the Board seems to imply that this State has complained. We certainly have no ground to find fault with the Legislature of Ohio, for that body appears to have made promptly every appropriation which has been asked by the Board of Public Works. That a more rapid progress has not been given to the work by the agents of Ohio has been a subject of frequent correspondence between them and the agents employed on the public works in Indiana. Some difficulty in determining the site of a reservoir has delayed operations on one portion of the line for eighteen months. The sickness of an engineer at another time is alleged as an excuse for not progressing with another portion. It is to be regretted that difficulties of this kind should have been found by the Board of Public Works so difficult to overcome that a work of this character commenced early in 1837 cannot be completed until near the close of the year 1843—requiring a period of nearly seven years to construct a canal eighty miles in length.

I trust I shall not be deemed obtrusive in suggesting that the speedy completion of this work is of manifest importance to the State of Ohio. Mr. Williams, Principal Engineer on the Public Works of Indiana, in a communication to Gov. Shannon, dated in January 1840, submitted statements of the exports and imports which he estimated would pass through the Ohio portion of the canal from this State and contiguous portions of Illinois.[2] Mr. Williams' known accuracy and the caution with which he always assumes the grounds of his calculations entitle his statements to much consideration. He estimates the tonnage of the trade passing in both directions, without reference to the trade of Ohio, at 100,000 tons in the present condition of the country. The State

[2] This letter is in the *Documentary Journal,* 1839-40, House Doc. No. 35.

of Ohio would derive from tolls collected on this tonnage an amount equal, if not exceeding, the interest on the money expended. When the large amount she has already applied to this work, and the comparatively small sum necessary to complete it are considered in connexion with the fact that she has subject to her disposal a grant of land adequate to defray one half the cost of the entire construction, we cannot certainly be regarded as exhibiting an unbecoming solicitude in asking Ohio to complete her portion of the Wabash and Erie Canal at an earlier day than appears to be contemplated by the Board of Public Works, particularly as soon as the whole shall have gone into full operation, it will render over $2,000,000 in Indiana, and nearly an equal amount in Ohio of dead capital, not only productive but profitable.

Having stated some of the reasons which led the Legislature of Indiana to direct me to address your Excellency on this subject, I close this communication with a request that you will present this subject to the consideration of the Legislature of the State of Ohio at as early a day as convenient.[3]

I have the honor to be very respectfully, your obedient servt.

SAM BIGGER

President of the State Bank to Fund Commissioner[1]

INDIANAPOLIS Mar 24 1841

DEAR SIR, Yours of the 5th inst reached here during my absence from home but a copy was forwarded to me at Madison. Lanier thinks the branches will not refuse to pay over their dividends, and I have never thought they would refuse but as a last resort. At Lawrenceburgh only 3 per ct was divided last fall and unless

[3] A resolution of the Ohio legislature authorized the Fund Commissioners of that state to borrow the amount necessary to complete the Wabash and Erie Canal in that state. N. H. Swayne, one of the Fund Commissioners, wrote Jesse L. Williams on May 1, 1841, that loans had been effected to the amount of $1,181,000, and that an amount had been appropriated sufficient to pay the debts due the contractors with some left over. No exertion was to be spared "to push forward the work to completion." Indianapolis *Indiana Journal,* May 8, 1841.

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[1] Noah Noble Papers, Indiana State Library.

they improve their condition it is doubtful whether any dividend will be made this Spring. Very little calculation can be made at this time while such extraordinary revolutions in finance are in progress, but you may rely on our only yielding to inevitable necessity.

Situated as you are you will be able at an early day to see what we ought to do in self defence and when nothing better is presented to us we must go with the current.

I have just received a letter from Gen Stapp in which he writes that Mr E R Biddle wishes the securities in my hands to be forwarded to you that he may barter them for our stocks while they are at this cheap rate. I will send them to you the first safe private opportunity and if in the mean time you can make any satisfactory sale of any [of] them I can send the power of attorney to transfer to such person as you or the purchaser shall designate at any time.

Mr Lanier has just returned from Mobile and he writes that $7400 of stock in the "Bank of Mobile" is worth par, that it is a specie paying Bank, making regularly 6 per ct dividends in N York funds, that $64,100 of stock in the Planters and Merchants Bank of Mobile is worth say from 60 to 70 cts in the dollar. It is a specie paying Bank made a dividend in July last but none in Jan.

Mr L says that the Com Bank in Manchester Mississippi is a specie paying Bank reckoned among the two or three best in Miss. but he could not learn the value of the stock. Mr L could not learn much about the value of the stock in the Apalachicola Land Co. but he has given me references from which I shall obtain information.

If any of these stocks are sold separately for the purpose of buying up our State Bonds, the State ought to have all the advantage though if Mr Biddle could make an arrangement to take back his securities and give us back an equal amount of Bonds to those which were sold to him, it should be done I think by all means.

I shall send you soon an Eastern Dft for $1959 from the Mobile dividends the balance $280 being applied in part to make up the $20,000 stock subscribed in the Madison br in Mar 1840 equal to the other stock. This however will give you a greater dividend in May from that stock.

The stock in the Miss & Ark Land Co. is worth more than the amount invested. The pier and lots in Jersey City and the stock in the Little Schylkill and Susquehanna Rail Road, I know little about, but you can get information at New York

Yours truly

SAML MERRILL

GOV NOBLE

[Addressed:] N Noble Esqr Fund Comr New York N. Y.

Bigger: Proclamation Ordering Special Election[1]

[March 27, 1841]

WHEREAS, by an act of the last General Assembly of the State of Indiana,[2] the Governor is authorized to issue his proclamation, ordering a special election to be holden in the several Congressional districts in this state, and at the several places of holding elections therein, on such day as he may appoint, for the purpose of electing seven Representatives for the state of Indiana, in any meeting of Congress of the United States, which may be called by the President thereof on or after the fourth of March, and to be holden before the first day of August of the present year, the persons so chosen at such elections to be to all intents and purposes the Representatives of this state in the twenty-seventh Congress of the United States: And whereas, the President of the United States by his proclamation bearing date the seventeenth day of March, A. D. 1841, has required Congress to convene at Washington on Monday the thirty-first day of May next.[3]

I, Samuel Bigger, Governor of the State of Indiana, do therefore appoint and direct that said elections be held on *Monday the*

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[1] Indianapolis *Indiana Journal,* April 3, 1841.

[2] *Laws of Indiana,* 1840-41 (general), p. 144.

[3] Harrison issued this call for a special session to take action on the financial condition and currency of the country. The resolution by the Assembly indicates that such a call soon after the Whigs assumed the reins of government was generally anticipated. Six Whigs and one Democrat were elected. *Indiana Election Returns, 1816-1851,* 101-5.

third day of May next, for the purpose of electing one Representative from each Congressional district to represent the State of Indiana, in the twenty-seventh Congress of the United States, required by the President to convene at Washington on Monday the thirty-first day of May next ensuing the date thereof.

Done at Indianapolis this twenty-seventh day of March, in the year of our Lord one thousand and eight hundred and forty-one.

SAM'L BIGGER

By the Governor:
WM. SHEETS, Sec'y of State March 27

N. M. Rothschild & Sons to President William Henry Harrison[1]

LONDON 2:April 1841

SIR We had the honor of adressing a letter to you on the 9th March and we take the liberty of making you the present communication in relation to a subject connected with the financial affairs of the United States of Amerika which comes particularly under our cognizance & which we deem in several points to be of very considerable importance.

According to the information we have lately received relative to the Securities of the United States we observe there is considerable difficulty pending in the proceedings of the Indiana Fund Commissioners for providing sufficient means to meet the payment of the half yearly interest due the 1st July next on the Debt of that State. We understand that on the part of the State governement as well as of the Fund Commissioners a good deal of exertions has been made to raise the necessary amount of funds & that the tax which has been established in the State will be sufficient when fully levied to provide for all dividends but from time being required to carry it into effect, there are serious apprehensions entertained that the Commissioners will not be able to derive sufficient assistance from it to make up the sum necessary for the payment of the one now approaching.

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[1] Copy in Noah Noble Papers, Indiana State Library. The original is in the State Department files, National Archives, Washington, D. C. This letter and one from the Rothschilds to Secretary of State Daniel Webster were printed in the Indianapolis *Indiana State Sentinel,* August 4, 1841. President Harrison died on April 4, 1841.

It is estimated the deficiency will not be short of 210,000 dollars, which forms 4/5ths of the whole amount of dividend.—The unfavorable reports which have circulated in respect to the inadequate provisions for the payment of the interest, have already had a material effect in depressing the Stock of Indiana & the price has fallen 10 to 15 per Cent.—If the non payment should be actually allowed to take place, we apprehend the consequences would be extremely prejudical and would not only be strongly felt in the case of the credit of this individual state but doubtless also in that of the credit of all the States of the Union & we fear would greatly injure likewise the commercial credit of the Country.

The punctuality which the States have shewn hitherto in the discharge of their obligations, has had the corresponding effect of procuring for them a considerable share of public favor in this as well as other European market, and the investments in their securities have in consequence been extended to the immense sums they at present amount to but the omission on the part of a State Governement to fulfill the important duty of discharging the interest due on its debt would be calculated to destroy a favorable impression of long standing regarding the confidence merited by all the States & to strike a blow to American credit in every branch of Commerce & finance.

The high sense expressed in your Inaugural adress of the importance of the various states of the Union maintaining their credit by the fulfilment of their engagements and the enlightened views expressed in regard to the intimate connection of their proceedings with the honor of the Republic have produced much general satisfaction & approbation and although aware how much the great concerns you have to direct, must engross your attention we are emboldened by those favorable sentiments to bring to your notice the circumstances of the deficiency in the means of the State of Indiana for the payment of her next dividend.

A word from you or the least interposition in her favor could not fail to afford relief in the present exigency and it appears to us that in ordre to be effective some measure should be adopted with as little delay as possible.

A large portion of the stock amounting to 3600,000 dollars has had the interest & principal made payable with our house & it would be desirable for us to be prepared by the 1:June with the necessary funds for the payment of the next dividend.

We hope you will consider the subject of the present letter to be of sufficient importance to have your attention as we are assured you would not fail to bestow it upon any point you deemed to be connected with the interest of the great Republic you preside over & we trust the importance we attach to it will form our excuse with you for entering fully into the explanation of our opinions.

We beg leave to present you the assurance of our high esteem & respects & remain Your most obediant Servants

N. M. ROTHSCHILD & SONS

To the HONBLE WILLIAM H. HARRISON President of the United States Washington (D. C.)

Bigger to Fund Commissioner[1]

INDIANAPOLIS, May 17, 1841

N. NOBLE, Esq.,

SIR, A few days since, I received from Hon. Daniel Webster, Secretary of State for the United States, a communication enclosing an extract from a letter addressed him by the Messrs. Rothschilds of London,[2] in which they express their apprehension that the State of Indiana will fail to pay the interest on her bonds which will accrue in July next, and urge upon the United States Government the propriety of adopting measures which will prevent a result that must be destructive of the credit of all the States. They also state that the amount of Bonds upon which the interest is payable at their house is about $3,600,000. Mr. Webster very properly remarks that the whole is a matter belonging exclusively to Indiana.

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[1] L. S. in Noah Noble Papers, Indiana State Library.

[2] Printed in the Indianapolis *Indiana State Sentinel,* August 4, 1841. See their letter to President Harrison, April 2, 1841, printed above.

We are not very fully advised of the prospect of meeting the interest by the sale of the seven per cent bonds. There is a good deal of uneasiness felt upon the subject here. I have no doubt, myself, that if the interest is not paid in July the credit of the State is irretreviably gone. To prevent such a disastrous result, is so essential to the character and prosperity of the State, that, at the instance of a number of our friends, I now trouble you with a few suggestions, not however with the view of inducing you to change any course of policy you may have marked out for yourself, acting as you are with more accurate knowledge of all the circumstances of our condition than we possess at this place.

It has been supposed that, in view of our situation, the state of the money-market, and the fact that the revenue of the present year cannot be realized before next winter, taken in connexion with the assurance that if our credit once goes down by a failure to pay the interest there can be little hope of inducing the people to sustain any course of measures intended to secure its revival, the companies and individuals to whom this interest is payable might be disposed to receive the seven per cent bonds, with the sale of which you are entrusted, in place of the money. I am pretty well satisfied, to say the least, that if we stop payment once, a strong, probably a successful, effort will be made to repudiate all the Bonds heretofore disposed of, for which we have not received an equivalent, no matter how *innocent* the present holders may be. The payment of the interest on these bonds is the great difficulty in the way of sustaining our credit, and the impression has become so strong among the people that, as to them, the State has been made the victim of *stock gamblers,* that if we are placed in a situation in which it shall become necessary to re-establish our credit the suspended debt of the State will form an insurmountable barrier to any plan of adjustment of which it must form a part—at least so much so as to endanger any satisfactory arrangement that will secure the balance, and enable the State to obtain a credit hereafter.

My own impression is, that if we can weather the storm to the end of the present year, we can then sustain ourselves. This is, it strikes me, a matter in which our creditors have as deep interest as we have, and that before they pertinaciously insist upon their pound of flesh, and thus destroy all at a single blow, they will, as a measure of policy, adopt the course suggested.

In this view of the matter, if you should be of opinion that circumstances would seem to indicate the policy of such a course, I have no doubt it would be altogether proper for you to visit London and see the Messrs. Rothschilds. You could learn from their agent in this country if he has no power to make such an arrangement, and from other sources the probability of being able to effect anything of the kind proposed, so far as relates to them, by going to England.

My intention, in making the foregoing suggestion, is simply to give you to understand how far I think you will be sustained by the Legislature, influenced as it is by public opinion, and not to point out a particular course to you as being the best which can be adopted. Situated as you are, you can see at once whether these views are entitled to any consideration.

I understand that there is no prospect of any further advances from the Bank. The large amount already advanced and not repaid precludes all hopes of relief from that quarter.

Very respectfully, Your obt. servant,

SAM BIGGER

[Addressed:] Noah Noble, Esq, Care Merchants Bank, City of New York

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Fund Commissioner to N. M. Rothschild & Sons[1]

CITY NEW YORK 19 June 1841

TO N. M. ROTHSCHILD & SONS
London

GENTLEMAN—The reliances of the last Legislature of Indiana, for the payment of our July intrust were upon the large debt due the State from Banks in this state, New York, and New Jersey, and upon the sale of seven per cent stock in the event that the debts due us should not be paid in the contemplated receipts from the debtor Banks mentioned I am wholy disappointed and the unexpected depreciation of Indiana & other stocks in this market since the close of the session & which was not at all apprehended by the Legislature whilst making as they hoped ample provision for our interest, has thus far prevented a sale of the seven per cent stocks before alluded to. Efforts however, late as it is, are still making and although I am not sanguine yet I am not without hopes of success and so soon as I find my exertions with the aid now given me by capitalists here, shall have accomplished my wishes, be assured I will suffer no delay in the transmission of the money that it may [be] paid over to I fear our anxious, discouraged & perhaps some suffering creditors. I will write you again on this subject by the first conveyance and I trust that my next will be more satisfactory.

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[1] This is an unsigned draft of a letter by Noble in Noah Noble Papers, Indiana State Library.

Milton Stapp to Editors of Madison *Republican Banner*[1]

New York, June 26th, 1841

To the Editors of the Republican Banner:

Gentlemen: A few paragraphs taken from the Sentinel, (a paper published in Evansville, Indiana,) are going the rounds of the papers, charging that I have hypothecated $900,000 of Indiana bonds for the loan of $260,000, and that this stock has become forfeited to the holders, and been sold for the payment of the amount loaned; and that I have pledged $490,000 of stock for Gallipolis paper, which paper is good for nothing.

In these matters the Editor of the Sentinel has been misinformed. The hypothecation I have made for loans, have been sanctioned by the Legislature, and if the bonds *were* forfeited and sold, it would be no fault of mine. But I am informed these bonds are not *forfeited* and sold, but may yet be reclaimed by the State's paying the money borrowed. I have conversed with two gentlemen, who hold the principal part of our loans, and they both tell me that they can be held over the first of January next, if it should be the interest of the State to have it done.

I have not *pledged* $490,000 of our stock, or any other amount, for Gallipolis paper. But the Gallipolis paper which has been put in circulation in Indiana by the fund commissioners since Nov. 1839, and which is now on hand, was received and paid out in good faith for bonds absolutely sold believing from the high character of the Directors of that institution, that it was as good as most Ohio paper passing among us.

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[1] Reprinted in Indianapolis *Indiana Journal,* July 23, 1841.

While I feel it due to myself to deny charges against me that are not true, I will not withhold from the public the fact that some of my transactions as fund commissioner last fall and winter have turned out to be very unfortunate for Indiana, which will doubtless draw down upon me some censure. But when I look around me and see the great number of failures that have taken place within the last few months, both strong houses and weak houses, strong banks and weak banks, honest men and dishonest men; together with the utter prostration and almost ruin of the whole country; it seems to me that I ought to be forgiven for not foreseeing that which no one else in the country foresaw.

While I sincerely regret, and am wounded and mortified at the position of our affairs, I have the consolation to know that every act of mine as fund commissioner of the State, has been performed in good faith to the country, and in the fullest confidence that it was the best that could be done under the circumstances with which I was surrounded.

My time, attention and energies, shall from this time forth be constantly employed, as they have been for the last four months, in trying to avert as much as possible the effects of the errors I have committed; and in the end I will faithfully report all my acts to the people's representatives, and submit the honesty of my purpose to their scrutiny, judgment and action.

Very respectfully, Your ob't. serv't.

MILTON STAPP

Philip Mason to Fund Commissioner[1]

VERNON June 29th 1841

N NOBLE To morrow or next day the semianual Intrest on our bonds becomes due; & will it be paid. I think not. If so we will be unable to pay one cent for the next six years. I find that a large majority of the people are in favor of a reduction of the state tax, & this will certainly be the result of the next Legislation especially if our intrest acct is not paid & our credit kept up to a point equal to the best states. the reduction of the tax will require at least five years to redeem the Treasury notes now in circulation. these must be redeemed by their receipt for tax, as it will be the only way in which their value can be kept up, any demunition in their value would stop them from being used as a circulating medium, this event wou[ld] add greatly to our present embarrassments, at least for a time. the funds to carry on the state government would of necessity be drawn during the reception of the Treasury note for tax from the intrest on the canal lands and the intrest on the sinking fund. these two funds would by a slite reduction in our state expenses be about sufficient to cover state expenses. The tolls on the public works must be used to keep them in repair & those that are worth finishing must be finished by incorperated Companies. with this plan of operations we must remain in status Quo untill the Treasury notes are redeemed & the Wabash & Erie Canall is opened to the lakes & the revinue on it amounts to some $70,000 then we may begin to look up a little & provide for the paying our intrest.

I hope that it will suit your convenience to be at home early in October so that we can have some understanding as to the manner of making our reports. I desire to see a full statement of the condition of our Internal improvement fund, and the true condition of the public works. the more so if we fail to pay intrest. I also desire to see such a course persued in the next legislature as will not tarnish our honor. I have no dout but an attempt will be made to repudiate the state Bonds sold & for which we have not received a valuable consideration. this if possible should be prevented & I am in hopes that it may & probaly will be if a steady & firm stand be taken by the state officers. it is bad enough not to be able to pay our debts & to add to this the denial of the debt is to revolting for a man of fine feelings & having a correct notion of moral obligations.

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[1] Noah Noble Papers, Indiana State Library. Mason had been appointed to succeed Noah Noble on the Board of Internal Improvement. An earlier letter of Mason's, written from Madison on June 27, concerns the payment of contractors on the Madison and Indianapolis Railroad.

I have spun out my remarks on our situation untill I have bearly room to say what I intended in this communication. We are in want of Railroad car wheels and how to get them is the question. the act authorising or giving the Board the power to purchase thim directed that the payment be made out of a fund that is exhausted & unless the Treasurer will consent to interpret the act of last winter in relation to the receipts & disbursements of the Internal Improvement fund so as to make the purchase of wheels &c to be a part of the expense of collecting the tolls I know of no means we have of purchaseing what may be necessary to keep up the train, unless you can slip something in that way, the wheels could be Purchased of Baldwin & Co Philidelphia or of McClurg Wade & Co Pittsburgh. I wrote you a few days ago from Madison on matters connected with the road, & requested an answer to be forwarded to Indianapolis at which place I desire this to be answered.

I have been detained at this place a day in consiquence of the indisposition of Morris but he is expected in this morning cars. I have made arrangements & obtained a lease for 15 years for a new watering place about a mile west of this place. I think we will be able to get the track on the plain at Madison laid down by the middle of Sept next, & about 5 miles west of Vernon this I have no doubt will increase the receipts on the road verry considerably & stop the clamor about the deep diggins at Madison. I shall regrett if you fail to get the Iron for the road. I would be glad and am anxious to see this road finished to Columbus, as I think it would yield a profit to the state.

The cars have arived & with them Morris & Williams we will leave after dinner.

Yours

PHILIP MASON

[Addressed:] Noah Noble Fund Commissioner of Indiana City of New York

Fund Commissioner: Circular[1]

CITY OF NEW YORK,
FRANKLIN HOUSE, 2d July, 1841

Up to the afternoon of yesterday I had some remaining confidence of success in procuring funds to meet the July interest upon the Indiana stocks; but with my own exertions and the best securities I could offer, sustained by the co-operation and influence of individuals to whom I am much indebted, I have to acknowledge the efforts made have proved unavailing, and that the half-yearly interest due yesterday, except that upon the first bank loan, will not be paid.

Our creditors generally, but particularly that class of the holders of our bonds who invested for the sake of the interest as a means of support, will smart under this annunciation, but keen as may be their disappointment, it will not compare with the bitter regret and the torture of a wounded sense of State pride it will inflict on the people of Indiana.

This event at the first view would appear chargeable to a delinquency some where, and the blame would naturally fall upon the law-making power, the Legislature of the State. That department, however, was not unmindful of its duties, but, fully sensible of its high obligations and of its responsible relations to the people and the State, with an earnest fidelity deliberated upon the subject of our liabilities, and adopted measures for the protection of our credit, believed at the time to be ample for the present and accruing demands upon us. In the first place, conforming to a previous expression of public sentiment not to be disregarded, an efficient revenue law was enacted levying a tax of forty cents to the hundred dollars; but as the revenue to be derived would not be available for a while, additional provision was required, equal to the interest falling due in this interim. The Commissioner was therefore authorized to apply any portion of the receipts from the debts due from banks and individuals in Maryland, New York and New Jersey; and to supply any deficiency from the receipts from that source, he was directed to sell stocks at par, not exceeding an interest at seven per cent.

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[1] Indianapolis *Indiana Journal,* July 16, 1841.

In the availability of the claims upon the banks and individuals mentioned, of more than two millions, represented to the Legislature as a safe reliance for the major part, if not all of the July interest, I have been wholly disappointed; and the great depreciation in the market value of stock since the adjournment of the Legislature, not known to nor apprehended by that body, has defeated the contingent reliance—that of selling seven per cent bonds at par.

A laudable sollicitude of some that are interested, and a disinterested regard for State credit on the part of others, have suggested the hypothecation of State bonds as the remaining expedient for the payment of our interest. To pay by a resort to such means would, under one view, prevent the dishonor of our stock, but it is questionable whether the hypothecation of bonds at the usual exhorbitant rate of interest, subjecting them to ruinous sacrifices when required by the lenders, would not be more calculated to excite distrust than to inspire confidence in the ultimate payment of interest and principal of our debt. No such powers however were granted to the Commissioner by the late Legislative Act, and had they been given in other than an imperative form, our lessons of the last year would create doubt of the propriety of a second trial of the expedient.

In all of its aspects this default of the State will be the cause of anguish to her citizens and officers, and under that view, addressing itself to the fears of the holders of our stocks, it will be the cause of much anxiety; but unexpected as it may be to them, it is no just cause of alarm, and should be considered more in the light of a temporary suspension than a permanent delinquency. In addition to our present and expected new resources, the income next year from the navigation of the Wabash canal (144 miles) hitherto locked up by the unavoidable delay on the part of our sister State, Ohio, in completing her division of the work to Lake Erie, will improve our finances, and in the course of a few years we hope not only to restore our credit, but to be able at pleasure to bring into use the most advanced and profitable lines of our works, now lying in a half finished condition.

I am aware that much has been said of the repudiation of State debts; and whether real or imaginary, the minds of those not possessed of correct information may be influenced by it. It is true that we have our embarrassments to contend with, the chief of which may be ascribed to unfortunate negotiations with which this city is familiar,—but whilst some of these may be the subject of investigation, the people of the State will seek no pretext in them for the disregard of law and moral obligation, and if there be any who harbor suspicions of so degraded an estimation of honor, they may safely dismiss them. The people of the State do not deny having borrowed money; much of which was received of strangers, and in their present inability to meet their engagements, there is nothing to justify the apprehension that they will dishonor the State or nation by disavowing their sacred obligations.

Not having the gratification to offer the money on the part of the people of Indiana in payment of the interest due on yesterday, I will be prepared on the 3d Monday of this month to deliver seven per cent. bonds to those who may be willing to accept them in lieu of cash for their coupons, if some propitious circumstance should not in the mean time supply the requisite funds.[2]

N. Noble

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[2] Noble's account of this failure to meet the July interest is included in his report to the Governor (*Documentary Journal,* 1841-42, Senate Doc. No. 1, pp. 2-3). He stated that he accompanied the treasurer to New York, where they found market conditions such "as to threaten the defeat of the object of the legislature. . . ." "The months of March and April," he continued, "passed off without realizing any thing from our large suspended debt to meet the July interest, and seeing nothing to encourage the hope of a prospective improvement in stocks: and withal, having reason to dread troubles, not very distant, from the unexpected number of hypothecated bonds, I thought it advisable to return and take counsel of the officers, and make a trial to procure from the

Treasurer of State to Fund Commissioner[1]

Ind's July 13th 1841

Dear Sir—I have recd your two letters of the 2nd inst. Also one from Genl Stapp of same date which I have answered & pursuant to your request now enclose you a copy.[2]

I am pleased to hear that you have made a manful effort to pay our interest & have come so near effecting it at least it cannot now be said that we have not *tried*. And I much prefer your mode of doing it than the old method of hypothecations. It is much plainer easier understood & leaves no room for future losses or difficulties. And so far as my opinion goes I unhesitatingly say that you should continue your effort to pay the interest on the terms you have stated that is, taking pay for 7 pr c bonds sold in Indiana bank paper. It will be a stronger evidence of our good faith than if we had paid it in time under all the circumstances.

Congress cannot much longer postpone the distribution bill. The

branches of the State Bank, funds for the payment of the interest then nearly due, and to extricate the pledged bonds. The President consulted the representatives of the branches attending the State board of directors, and without getting encouragement, for the reason the branches had not been notified—that there had been no legislative request or authority—and because several of the branches had not realized advances made in the produce business in the winter before.

"Disappointed in my wishes, I returned to New York without finding much change in the price of State Stocks, but having no other dependence than that of negotiating the new seven per cent. bonds, to protect the credit of the State in payment of the July interest. . . .

"Having failed in the attempted sale of the seven per cents. at par, and not having the money to offer in discharge of our obligations, two years bonds were advised and subsequently proposed to the holders of our stocks, through the house of M'Alister & Stebbins. . . .

"Of the bonds left with that house, only about 30,000 dollars have been delivered in exchange for July coupons, and there is no prospect of effecting any further exchange to any amount."

In the Archives Division, Indiana State Library, with the Whitewater Canal correspondence, there is an undated, unsigned draft of a letter to the President and Directors of the State Bank asking for a loan for six months to enable the state to meet the July interest payment. The letter is in the handwriting of the treasurer of state; the amount of the loan is left blank. See also Governor Bigger's reference to the failure of the state's credit, below, 316 ff.

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[1] Noah Noble Papers, Indiana State Library.

[2] Not found.

Whigs are beginning to understand the use of the previous question & are willing to exercise it freely as they ought to especially on those questions already settled for them by the people.

. . . .

I could not agree with your views as to the propriety of my paying interest in treasury notes & letting the principal stand, as expressed thro' Whitehead, & had to decline—it did not appear to me that my power extended that far.

But I have lately redeemed $4000 of 50's of a Broker at Louisville for $1000 dollar bonds & look for more from that quarter—as far as I can, except to make change, I shall hold back the 100 dollar bonds.

We have unusually hot & dry weather. I fear it will be sickly in consequence, but here I do not hear much complaint.

. . . .

Yours truly

G H DUNN

N NOBLE

[Addressed:] Gov Noah Noble Care of Merchants Bank New York

Dowling and Cole to Bigger[1]

Aug 1st 1841

Dr Sir This is to inform you that we are fully prepared to enter upon the discharge of our duties as State Printers, which commences this day, and ready to execute any printing that may be required and ordered by your department, and to request that [you] will furnish the copy of any thing you may wish done to Mr Thomas B. Cutler, the bearer hereof, who are fully authorized to act as our Agent in the premises. Very Truly

DOWLING & COLE

HON SAML BIGGER Governor Indianapolis

[Endorsed:] The Sec State Please file in your office Saml Bigger Aug 12, 1841

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[1] Governors Correspondence, Archives Division, Indiana State Library. See above, 195-96, for the election of Dowling and Cole as state printers.

N. M. Rothschild & Sons to Fund Commissioner[1]

Duplicate

London 3 August 1841

To N Noble Esqre
Fund Commissioner of the State of Indiana
New York

Sir We beg to refer you to our last [illeg.] of 13 ulto. the duplicate of which we hand you enclosed.[2]

We receive with much surprize & regret the continued unsatisfactory accounts respecting the progress you make in providing funds for the payment of the overdue dividends on Indiana Bonds. We are applied to every day by the holders of the coupons, who shew a good deal of anxiety about the payment & having been led to conclude that you would have succeeded the beginning of last month in raising the money you wanted for dividend, we have endeavoured to quiet their apprehensions & have held out to them hopes that arrangements would be speedily made for the payment.

We have hitherto in short prevented much of the censure & severity of remark with which the circumstance of another of the United States of America failing to meet the payment of the dividend due on her securities, would have been commented upon in the public paper & we trust still to find our confidence in the integrity of the State of Indiana & the zealous exertions of her authorities will not have been misplaced & that the expectations we have held out in regard to the dividend may yet be realized.

We refrain from repeating to you the opinion we have expressed upon the extent to which the credit of your State has been endangered by the delay that has been already suffered to take place, but we must take the liberty of again urging upon you & strongly, the necessity of your adopting effectual measures in the present critical emergency, & of your causing due & full payment of the dividend to be made here & in New York with as much promptitude as possible. It is in this prompt attention & satisfaction only, that would repair the injustice which has been done to them & if witheld from them, it will prejudice your State irretrievably in credit & estimation & be the means of obstructing all her future attempts to raise money for objects of utility or improvement.

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[1] Copy in Noah Noble Papers, Indiana State Library.

[2] Neither the original nor duplicate has been found.

We annex our quotations for your reference & remain respectfully Sir Your Obed't Serv'ts

(Signed) N. M. ROTHSCHILD & SONS

Fund Commissioner to N. M. Rothschild & Sons[1]

NEW YORK Aug. 6, 1841

MESSRS ROTHSCHILD & SON
London

GENT I am in reciept of your communication of the 13th Ult. under cover of which I found the duplicate of the one of the 2d that month, and in acknowledging their reception I am obliged to confess our continued inability to pay the dividend due upon our Stock the 1st July.

When at Cincinnati on my way to this City in the month of March last, and through your agent here after my arrival I sent you a pamphlet embodying the enactments of the last legislature of Indiana granting powers to the Fund Comr and making provision for the payment of the interest on our stocks the sufficiency of which no one at the time, doubted. I find however that you have not read that pamphlet for had you have done so you would not have seemed so ready to cast blame on the Fund Comr for not taking an offer of 80% for the 7 pct bonds when it would have been a violation of law and as regards the second mode of payment which you mention that of accepting par for our seven per cents at one year, permit me to assure you, that no such offer was made, and it is a matter of surprise, if any reputable house of this City has given you such information, for it is well known here that 7% in par funds, was the best offer made me for the sums at one year. In place of that indifference which would have been evinced by a rejection of the offer supposed by you to have been made, allow me to say the commissioner inspired with a proper regard for the honour of his state did every thing in his power, to save her credit, and at the same time keep within the role of his specified powers.

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[1] Copy in Noah Noble Papers, Indiana State Library.

I beg permission to repeat to you what I have said elsewhere, that the last legislature acted in good faith towards our bond holders and fully impressed with the sufficiency of the provisions made for the intrust falling due, did not for a moment dread the default which has since hapened in consequence of the inability and unfaithfulness of our debtors and the subsequent decline of stocks in this market.

Be pleased to find enclosed a copy of the note I addressed to the public after failing to meet our July interest.[2]

With respect I am gentlemen Your obt Sevt

N. Noble

Visitor to State Prison: Report[1]

Brownstown, Sept. 4th, 1841

To His Excellency, Samuel Bigger:

Sir—Agreeably to the provisions of the law on that subject, and under the authority of my commission from you, as Governor of the State of Indiana, appointing me Visiter to the State Prison, I made my first visit on the 9th, 10th, 11th and 12th June ult., which was at the close of the superintendency of Messrs. Patterson and Hensley.[2]

I am constrained to say, that I did not find the institution under as good a state of management as the dignity and interest of the State, and the laws of humanity, as well as the object of the Penitentiary system would demand. As this report is only intended

[2] See Noble's Circular of July 2, 1841, above.

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[1] *House Journal,* 1841-42, pp. 44-50.

[2] Joseph R. Pratt and John McDougal were appointed superintendents of the State Prison under the act of the previous session, upon the expiration of the contract with Patterson and Hensley. See above, 179n-80n. See Pratt and McDougal's report below, 277-83. Pratt's and McDougal's bonds as superintendents, dated March 23, 1841, and October 25, 1842, are in the files of the Secretary of State, Archives Division, Indiana State Library.

to give you some information on the subject, and not requiring any particular action, and as I intend to make my next report (which you will lay before the Legislature,) very ample, upon which, I shall suggest some legislative action, I therefore confine this report to some general remarks.

Firstly. The prison has been under the superintendency of two individuals who have been for a length of time at bitter enmity towards each other, the effect of which has been a division of the prisoners between them, and a separation of all their interests, and consequently a perfect degradation of all the interests of the Institution. Mr. Hensley, from information derived from the guards and the prisoners, has not been in the prison but once since February last. His hands all work out of the prison, principally at brickmaking, and are taken out and brought back to the prison by his guards or managers, and after they are turned in, there is no more attention paid to their discipline or government, till they are taken out again or put into their cells. They talk and swear, and lampoon one another, like men of the same class running at large. Their food is corn bread, baked in large loaves, and bacon, frequently not very good, sometimes cooked, and sometimes each one cuts and cooks as he can catch it. This they have morning and noon and at night they have bread alone. They have no vegetables, and sometimes (from the testimony of themselves,) no meat for two weeks at a time.

They are clad in coarse tow linen, shirt and trowsers, generally very ragged and dirty, many could not hide their nakedness, and many had not shifted their clothes for six weeks. All the apartments, cells, eating rooms, and all, are intolerably filthy and crowded. Sometimes two or three lodged together in one cell—four or five of Mr. Hensley's hands were sick, and some complained bitterly of having to mould 4,000 brick per day. Some of those who complained I examined, and thought them too sick to work. They are put into the cells on Saturday night, and kept there till they are brought out on Monday morning to work, with the exception of a few minutes to eat. But few have bibles, and not many of them can read them.

The sick have pretty good medical attendance, but poor nursing. Their kitchen is their dining room and hospital, and cart loads of dirt and fleas in it to add to their comfort. These are the outlines of Mr. Hensley's government.

Mr. Patterson's management is the same, with the following difference: He and his guards are generally about the prison, and he manages in person. He works part of his hands at brick making and laying, hauling and delivering; sends them to Louisville, some work on a farm, some carpenters, some work in the prison at tailoring, wagon-making, coopering, blacksmithing, &c. His hands inform me they get plenty of meat and corn bread, and sometimes vegetables. He attends a little more to the cleanliness of his hands, and he also clothes them better. The prisoners are generally tasked in their work, and are paid for their extra work, with which they buy sugar, coffee, and whiskey, and frequently get drunk.

The punishment practised is whipping, which is, within proper limits indispensably necessary; but I would suggest that a proper and regular discipline be established, and rigidly and uniformly enforced, and I apprehend there will then be much less necessity for severe corporeal punishment, which should always be proportioned to the magnitude of the crime. There is not much chivalric feeling among the inmates of a penitentiary, that we should shoot them in preference to corporeal punishment, and I am satisfied we shall find more Sancho Panzas than Don Quixots among them.

I will now make a few remarks on the change made by the last legislature in the management of the penitentiary, upon which I hope you will bestow a few reflections before the meeting of the Legislature, when I shall make a more ample report, and if any thing should occur to you that you might think proper for me to attend to in that report, I shall be happy to receive a communication from you on that subject.

The prison now occupies an area of nearly one acre; 100 feet wide and 400 feet long, and this is all that can be added to it in its present location, excepting a small triangular lot, which joins it on the north; consequently to add that to the prison area, or space, it could not be made available without removing all of the prison buildings.

Secondly. The number of convicts now amount to 113, and they have doubled in ten years; consequently in ten years more, they will amount to over two hundred; and to construct the necessary shops, cells and other buildings authorized by the last Legislature, sufficient to work the present number of prisoners within the prison, it will occupy the whole space, without any yard, and the prison must become a common sink, of pestilence, and before ten years would roll around, it would be revolting to humanity, and a nuisance to community, and no superintendent who regarded his own safety or comfort, could be had to take charge of it—and so crowded, filthy, illy-constructed a place, is now a disgrace to the State, but to prosecute the present plan it will be ten times more opprobrious then, than now. Therefore let no further improvements be made here, but let it be contracted to good men, to relocate it in the vicinity of Jeffersonville, with 15 or 20 acres of ground, and an ample and convenient prison enclosure, with proper buildings, so arranged as to be enlarged from time to time, as necessity may require. There are men who will take it for ten years, and complete the plan I have mentioned—but to persevere on the present plan, in ten years we shall have no prison or prison funds.

Respectfully, your obedient servant, &c.,

S. Wort[3]

Treasurer of State: Report on Three Per Cent Fund[1]

Treasurer's Office
Indianapolis, 30th October, 1841

To the General Assembly of the State of Indiana:

I have the honor herewith to lay before the General Assembly a statement of the condition of the three per cent. Fund.

Respectfully,

George H. Dunn,
Agent of the 3 per cent. Fund.

[3] See below for Wort's later report (269-76), the report of the new superintendents (277-83), the Governor's remarks on the prison, and action by the Assembly (337-39n).

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[1] *Documentary Journal,* 1841-42, House Doc. No. 2.

The total amount of the three per cent. Fund received from the United States to the present date, including premiums on drafts sold, is		$497,299 37
The payments from this Fund on the various appropriations to roads, rivers, and counties, prior to the 1st November, 1840, was	$473,878 67	
There has been paid to the several counties in the present year	15,024 84	
The total amount of incidental expenses to 1st November, 1840, was	5,033 94	
Incidental expenses of present year	20 00	
		$493,957 45
		$ 3,341 92

Leaving, on the 1st November, 1841, subject to the order of the proper commissioners, the sum of $3,341 92.

Nothing has been received on account of this Fund during the present year. Application for payment was duly made and repeated, but has not yet been attended to, nor any satisfactory cause given for the delay.[2] The amount which the State is now entitled to demand of the United States, is $4,808 15, and will yield to each county about $55 00.

The following table[3] will show the amount appropriated to each of the several objects, to which this Fund has been directed; also, the amount paid to, and the amount due to each.

The right hand column shows the amount yet due to each county to meet all existing appropriations: of this balance, however, only a small portion is on hand, $941 24 to each county being yet to be received from the United States.

By deducting $941 24 from the sums stated in the right hand column, the balance will be the amount now on hand for such county, and subject to the draft of the proper commissioner.

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[2] See below for reason for this delay, 354-55.

[3] The table, not printed here, is in the *Documentary Journal.*

Treasurer of State to Bigger[1]

OFFICE OF THE TREASURER OF STATE
INDIANAPOLIS November 1st 1841

TO HIS EXCELLENCY SAMUEL BIGGER GOV &c

SIR I have the honor herewith to lay before you abstracts of the reports made to this office for the quarters ending November 30th 1840- February 28th- May 31st & August 31st 1841 by the agents for loaning the surplus revenue of the United States deposited with this state under the act of Congress of the 23rd June 1836.[2]

The neglect of these agents to make regular & proper reports to this office I find to have been a subject of complaint ever since the commencement of the system & there has been but little improvement in this respect in the last year as will be seen from an examination of the abstracts presented

Desiring a reformation in this respect, I addressed a circular to the several agents calling attention to these missing reports & requiring greater punctuality for the future; at the same time requesting such information of previous operations & the present condition of the fund as would enable me to present a satisfactory report on the subject. Answers to these communications are expected at the close of the present month, and if attended to will bring the business up to the present time & afford to this office & the agencies a common starting point for future operations; which, it is hoped, will be conducted with more regularity than heretofore. Should however the necessary punctuality not be thus attained I shall feel myself imperatively required to enforce the penalties provided by law for such delinquencies.

Not only the loaning agents but clerks & school commissioners have been very negligent in the performance of their duties connected with this trust. The penalties now provided by law are sufficient to enforce obedience from the loaning agents & county clerks, but there seems no adequate punishment for the delinquencies of the school commissioner, without whose co-operation there is no sufficient check upon the loaning agents; & I would respectfully recommend that this defect be presented for the consideration of the General assembly.

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[1] Governors Correspondence, Archives Division, Indiana State Library.

[2] The abstracts are filed with the letter but have not been reprinted here.

There is also another difficulty which may frequently occur & which requires legislative action. The evidence against defaulting agents often consists of the papers on file in this office & there is no law permitting copies or official statements to be used to obviate the necessity of removing from the files valuable papers & endangering their safety. A provision similar to the one contained in the law relating to the 3 per cent fund will meet the difficulty & be found valuable in practice

By an act of the last general assembly it was provided that this fund should be invested in Bank Stock unless the boards doing county business should at a special session to be held on the second Monday of August last determine otherwise

No provision was made by which the result of this action by the county boards should be made known and collected here. But conceiving it to fall within the duties of this office I addressed letters to the county auditors requesting to be furnished with copies of the proceedings had on this subject. Answers have been received from all the counties except Posey, and I herewith present a list of the counties who place their surplus revenue fund in Bank Stock, and another of those counties who refuse to do so. The result is, that, the fund in 18 counties is to be vested in stock. In thirteen of these counties by the direct vote of the board doing county business, & in five vis: the counties of Carroll, Floyd, Miami, Porter & Wabash by the failure of the board to act upon the subject. Sixty three counties vote to retain the fund within the counties

Among these I have placed the county of Spencer. In that county no meeting was held on the proper day owing to the absence from the county of the members of the board, but on the 19th day of August at a meeting of the board it was determined to retain the fund in the county. The law as it stands makes no provision for such a case & it will therefore require Legislative interference to carry out the wishes of that county as thus expressed.[3] Respectfully submitted

Geo H Dunn Treasurer

Auditor of State: Annual Report[1]

Auditor's Office, Nov. 1, 1841

His Excellency, Samuel Bigger, Governor of Indiana

Sir—Agreeably to the provisions of an "Act relative to officers of State," approved January 25th, 1841, I herewith submit to you the annual report of this department.

The several items which constitute the funds of the State, such at least as the laws of the State have given this office any cognizance of, are arranged under their respective heads, with such remarks as have suggested themselves to my mind as worthy of your consideration.[2]

No. 1. General Revenue, is an exhibit of the receipts from every source, and expenditures from 31st Oct. 1840, to 31st Oct. 1841.

The receipts amount to the sum of $451,637.22, and the expenditures to $421,874.15, showing a balance in the treasury, provided all warrants audited to that date are paid, of $29,763.07.[3]

[3] The action of the Spencer County board was legalized by act of the legislature. *Laws of Indiana,* 1841-42 (local), p. 133. The boards of county commissioners in Hendricks and Kosciusko counties were authorized to rescind the orders instructing their agents to deposit their share of the surplus revenue in the State Bank. *Ibid.,* 127-28, 131. However, this legislation was pointless because this same Assembly repealed the provision for investing the various funds in State Bank stock. See below, 297n.

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[1] *Documentary Journal,* 1841-42, House Doc. No. 4.

[2] The tables and exhibits described by the auditor are printed as part of his report in the *Documentary Journal,* but have not been reproduced here except for the one dealing with "Treasury Notes," which is printed below.

[3] Detailed reports of receipts and expenditures for ordinary state purposes are given in the treasurer's report below.

Statement No. 2, is a statement in tabular form of the assessments of Revenue in each county, for 1841. This shows the number of polls, quantity of land taxed, value of lands and improvements, value of town lots, corporation stock, personal property, the total valuation of all taxables, the amount of State tax, amount of County tax, amount of road tax, and total of taxes. In this table, columns are added for comparison, showing the assessments in 1840, the *increase* or *decrease* from 1840 to 1841, of property or polls.

By this table it will be seen, that the number of polls assessed in 1841, is 103,746; leaving out the counties of Crawford, Miami, and Vanderburgh, from which no returns have been made, and as I am informed no assessments have been made for 1841.[4] The causes of this neglect, will, in due time be inquired into, and the delinquent officers prosecuted. It will be observed, that in a few of the counties, there is a decrease in polls, since 1840. This is owing to the bad assessments of the present year in those counties.

The number of acres of land assessed in 1841, is 10,187,764, valued at $63,120,309. Showing an increase in the value of taxable lands from 1840 to 1841, of $4,778,317. The increase of number of acres of taxable land, during the same period, is 1,914,644 acres. By the report of the Commissioner of the General Land Office, the quantity of lands sold in Indiana, in 1836, is 3,249,210 acres. Those sold in January and February only of this year, would become, for the first time, taxable in 1841.

It is believed that with the aid of the tract books, furnished from this office, the appraisers, if they have done their duty, have been enabled to get upon the tax duplicates of the respective counties, the most if not all the taxable lands. A comparison, however, of their returns when made by the county auditors, with the assessment rolls of 1841, will enable us to judge of their general correctness. The valuation of all town lots and buildings, amount to $11,339,723.—That of 1840, was $12,503,519, showing a decrease of value, of $1,163,796, since 1840; and a decrease since 1839, of $3,336,649, notwithstanding the improvements erected since then. The valuation of all corporation stock, exclusive of Bank stock, amounts to $288,692. In 1840, the corporation stock returned amounted to $1,168,342, showing a decrease of $879,650. From this decrease the Bank stock is to be deducted; the exact amount of which is unknown to me, at this time, as the Banks have, until the first of December to make their returns to this office. But the Bank stock may be estimated at $775,000, which deducted from the $879,650, would leave the true *decrease* at $104,650. By the foregoing, it appears that the whole amount of corporation stock, moneys loaned at interest, notes, bills, &c. bought with money, in the State, amount to $288,692. This is evidently too small. The money loaned by the Insurance Offices alone, will exceed this sum.

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[4] The Assembly passed an act providing for the collection of state revenue in those counties which failed to assess and collect in 1841, and levied a penalty of not less than $500 on county officers who failed to perform their duties in this regard. *Laws of Indiana,* 1841-42 (general), pp. 132-33.

The valuation of all personal property for 1841, amounts to $20,870,039; last year it amounted to $19,740,166—difference $1,129,873. It will be borne in mind, that by the law of last year[5] *all* personal property was made taxable for the first time. The committee of Ways and Means, in their report last year . . . supposed that the personal property heretofore exempted from taxation would amount to $5,000,000.[6] But by the assessments of this year, the increase is only $1,129,873. This can in part, I presume, be accounted for by the carelessness in assessing—but principally in the low estimate fixed by the owners upon their personal property. It is an average of about $200 to each tax payer. When we remember that the term *"personal property"* includes all the merchandise, all the stock and grain, all the household property and money on hand, it will be very evident, that there is great remissness in assessing this item of taxable property.

The total value of all taxable property for 1841, is $95,518,763. Amount returned for 1840, was $89,755,785, showing an increase in the amount of taxables of $5,762,978. From this increase should be deducted the *decrease* in certain other counties of $2,235,570, which makes the actual increase of $3,527,408, from 1840 to 1841. From 1839 to 1840, notwithstanding the additional lands becoming taxable for the first time, the decrease was $15,281,696. The decrease from 1839 to 1841, appears to be $1,518,952, and this notwithstanding there is an increase of taxable lands of 2,712,444 acres, which at the average price per acre for this year, would be at least $19,000,000. Then add the decrease as before, to the last named sum, and it shows a decrease in value of property, from 1839 to 1841, of $20,518,952, which to each tax payer, is about $200 loss in reduction of value of his property, since 1839.

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[5] Sec. 1 of the act "Pointing out the Mode of Levying Taxes," in *Laws of Indiana,* 1840-41 (general), pp. 34-35.

[6] *Documentary Journal,* 1840-41, House Report No. 33, p. 455.

The total amount of State Revenue, for 1841 is	$459,884	55
The total amount assessed for county purposes, is....	232,302	52
The total amount assessed for road purposes, is	37,048	91
The total amount assessed for Rail Road purposes, is	1,917	36
The amount assessed in Orange co., omitted in 1840	2	40
Making the whole tax assessed for 1841	$731,155	74

This to each tax payer averages $7.04¾ cents.

The assessments for 1841, were made under the old Revenue law. The collections however, will be made under the new law.[7] As regards the late or new revenue laws, I have had but little opportunity as yet to test their efficiency, or learn their practical defects. From my official intercourse with the County Auditors and Treasurers elected under these laws, I have no doubt, judging from their business qualifications, as evinced in their returns and correspondence with this office, that the County and State business necessarily entrusted to them, will be better done generally, than by the Clerks. The latter do not lack qualifications so much, as they do the time to give to the business of the county, that attention which its importance demands. The difference in the cost of the two systems, will be seen, by reference to Statement No. 4, which will be seen to be decidedly in favor of the present law.

Statement No. 3. This table is designed more particularly to show the increase of taxable lands in each county, from 1840 to 1841.—Also the average amount per acre, at which the lands of the State were valued for 1839, 1840 and 1841.

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[7] See above, 85n-86n, for legislation passed at the preceding session regarding assessment and collection of taxes.

By this it will be seen that the increase of taxable lands since 1840, is 2,604,823; and that the *decrease,* is 174,194 acres.

This decrease is caused by negligence on the part of the Assessors. It will be seen too, that the value of lands has steadily decreased since 1839. Had lands borne the same value that they did in 1839, the valuation would have been this year on the 10,187,764 acres at $8.80 per acre, (the average for 1839.) $89,652,323

By deducting the present value 63,120,309

Shows the amount lost by decrease since 1839 ......$26,532,014

. . . .

Statement No. 4. This table is intended more particularly, to show the cost of collection of Revenue in each county, under the present law, contrasted by appropriate columns, with what would have been the cost for collecting the same amount under the *"old"* or former Revenue law.

. . . .

Showing a saving to the people annually, by adopting the present system of $20,768 18

. . . .

There is one part of the present system so imperfectly understood, that I will be excused for adverting to it with some particularity; I mean the act under which an appraisement of the real estate was made for the first time, during the present year. The object of that act is to have a more careful and particular valuation, than has annually been given by assessors to real estate. This valuation to be made by civil townships, by a discreet person in each county. When so made, the Board of Commissioners with the County Auditor and Appraiser are made a county Board of equalization. This latter feature of the present law has been in force in this State in substance, since 1836, and so far as I am advised all have assented to the correctness of the provision. Its object is to protect individuals from unjust, or onerous assessment, on the one hand, and to prevent favoritism by the appraiser on the other, and as with individuals so of the different townships. So that after the equalization, not only is each individual's property valued alike, but each township is likewise corrected by each other. Under the old law the equalization stopped here, and every year the county was at the expense of a re-valuation of all the real estate and at the trouble of a new equalization. By the new law this appraisement is made with more than usual care and circumspection, care is taken by marking maps to see that all the lands are appraised, and after the appraisement of a county is equalized by the county Board of equalization, the whole is returned to a State Board of equalization. The object of this board is *not* to increase the aggregate valuation of the State, but to distribute that valuation fairly between the different counties. . . . To suppose a State Board would act corruptly in fixing its valuations, would be to say the least of it, as improbable, as to suppose that a county board and appraiser of a county, where a particular tax to be levied by the State is obnoxious to the great majority of that county would fix low valuations, in order that the amount of taxes at the per cent. fixed by the State would be proportionally small in that county. Again the Report of the State Board of equalization will be made to the Legislature, who will have the power to correct it, amend it, or declare it null and void. So that in every possible aspect which a candid mind will view this law, it will be found to be not only unobjectionable but loudly called for. . . .

Without this law, is it not possible—nay is it not already the case, that counties jealous of the advantages of others, seek to throw the burthens as much as possible upon those counties thus supposed to be favored? Should this disposition to under value on the part of counties, increase as it has for the few years past, the Legislature can never tell the amount to be realized by laying a given per cent; for a county which this year was valued at 3,000,000, may next year be valued as 1,500,000.[8]

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[8] The creation of a State Board of Equalization by the preceding Assembly (see above, 85n-86n) had met strong opposition, voiced most

effectively by Robert Dale Owen. In a speech to the citizens of Posey County in October, 1841, he asserted the whole new system of assessing and collecting would lead to capricious and arbitrary taxation. The state board, he declared, was "as fallible as the appraiser, far less capable of correct judgment, far more removed from responsibility, and absolved from all rule of action save their own caprice. In practice the plan is absurd; and in principle it is monstrous. . . . We *must* trust something to our county officers." He urged his fellow citizens to memorialize the legislature for repeal of the act creating the state board and submitted the text of such a memorial for them to sign. Indianapolis *Indiana State Sentinel,* October 11[12], 1841.

Among proposals for legislative action listed in the Paoli (Ind.) *American* was repeal of the county and state boards of equalization. See *Indiana State Sentinel,* November 16, 1841. The Vincennes *Saturday Gazette* of September 4 and 11 carried letters attacking the boards. Fear of loss of local control and domination of a far-removed state board was strong. Upon the assembling of the legislature the Democratic House almost immediately passed a bill abolishing the state board, but the Senate was slower to act. (*House Journal,* 1841-42, pp. 35, 51, 52). Debate in the House was covered in the *Sentinel* of December 30, 1841. John Hendricks of Shelby County declared that he was opposed to the free people of Indiana coming up to Indianapolis to be taxed, and that he was authorized by the people of Shelby County to say that should their taxes be increased by one *picayune* by the state board, they would not pay them. Pleasant A. Hackleman, of Rush County, a Whig, defended the board as intending to equalize, not operate oppressively. He cited the Governor's message of the previous session (see above, 119), and declared "that great *humbug* opposition" would not have arisen save for "a certain politician in southwestern Indiana." There was an effort on the part of some Democrats to insinuate at least that Governor Bigger in his message had indirectly accused certain assessors of perjury, which was stoutly denied by the Whigs. Wilson Thompson of Fayette County favored the board, citing an instance of two counties in his part of the state of equal soil and equal advantage where one paid double the taxes of the other. See also Indianapolis *Indiana Journal* of January 5, 1842, for further debate on the measure in both houses.

The Senate committee on finance to which was referred the House bill to abolish the state board, a Senate bill to reorganize the board, and the petition from Posey County, reported at some length. Its chairman was Samuel W. Parker, a Whig from Fayette and Union counties. In regard to the petition the report stated that it was obvious that the signers had never actually read the law creating the board and were under the impression that the board of equalization had it in their power to increase or diminish the taxes to be imposed upon the people "at pleasure," and that raising the valuation of the property in the state meant raising the taxes. The petitioners, the report said, believe the law set up a board of eleven men, not elected by the people nor responsible to them, which was clothed with unlimited power to increase the appraisal of

It will be necessary to alter the time fixed by the present law, when a Treasurer may coerce for taxes. As the law now is, he cannot distrain until the 25th December. . . .[9]

The net amount of State Revenue will probably be about $400,000.

The ordinary expenses of the State will not it is probable exceed $92,750. This would leave about $307,250 of the Revenue of 1841, to be applied to the interest on our State debt.[10]

But should this be paid in treasury notes, as it is probable, there will be nothing to apply to our State debts, or meet the ordinary expenses during the coming year.

. . . .

Treasury Notes

There has been issued under the law authorising the issue of Treasury Notes, as follows:—

In 5's and 50's, up to Nov. 1st, 1840	$1,289,000
From Nov. 1st, 1840, to Nov. 1st, 1841	164,000
Making total of issues up to Nov. 1st, 1841	$1,453,000

There was received at the Treasury for taxes of 1840, and burnt by State officers as directed by law, the

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real estate and increase the taxes of the whole state or any county thereof at pleasure.

The report defended the board and its functions and concluded: "Your committee, therefore, are unanimously of the opinion that the State Board of Equalization is one of the most essential features in the new revenue system—a system which this year saves the State more than twenty thousand dollars, when contrasted with the old, in the one item of collection—a system in a word, which it is believed will acquire popularity amongst the tax-payer, as fast as it is understood."

The committee recommended passage of the Senate bill for reorganizing the board. This bill was passed by the Senate but failed in the House, and the Assembly finally passed a bill which was approved on January 13, repealing so much of the revenue law approved the preceding session as created a State Board of Equalization. *Laws of Indiana,* 1841-42 (general), p. 126.

[9] No action on this was taken.

[10] This estimate was based on the levy passed by the preceding Assembly. See above, 118n. See report of the House ways and means committee, below, 408-9.

sum of 147,700

Leaving in circulation on 1st Nov. 1841 ....$1,314,300
[$1,305,300]

The amount of interest paid at the Treasury on the notes burnt, is $4,403 84, this is charged to account of Internal Improvements. Of the $164,000 issued during the past year, $83,000 have been issued in 5's, payable two years after date. These notes were issued in lieu of that amount of 50's contemplated by the law, authorising the issuing Treasury notes, and redeemable at the same time, which by law the 50's were redeemable.

You are aware, that the reason which induced the change, (in which the officers of State, after consultation, unanimously concurred) was, that the Board of Internal Improvements could not, as they represented, procure the repairs to be made upon the public works with $50 Treasury notes, without a sacrifice to the State of at least 20 per cent. That in many instances it would be impracticable to pay laborers with 50's at all—and as a consequence, the works already finished would be ruined by neglect, or if repaired, it must be at greatly increased prices. . . . The saving to the State on the $83,000 already issued, is at least $16,600; and on the $47,000 yet to be issued in order to complete the $1,500,000 ordered by law—the saving will be at least $9,400 more; making together a saving of $26,000—an amount more than equal to one fifth of the annual ordinary expenses of the state. . . .[11]

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[11] The issue of $5.00 notes payable in two years was attacked by the Indianapolis *Sentinel* (August 31, 1841), which declared the issue "illegal . . . made by the Auditor and Treasurer without the sanction of law, anticipating, probably that the next Legislature will sanction their proceeding. These *two year* Treasury Notes," the *Sentinel* continued, "are sold here at a discount of 5 per cent.; and of course the 5 per cent. is a loss forced upon the laborers and others who receive them from the rag manufactory established here by the Auditor and Treasurer. . . ." The *Sentinel* voiced a fear that if the illegal issue continued, the number of notes might become so large that many years would have to elapse before they could be absorbed in payment of state taxes, with the result that the people would have to be taxed to pay the ordinary expenses of the state in other currency.

The Assembly, however, followed the reasoning of the auditor, and passed an act authorizing the issuing of $5.00 treasury notes for the

Bigger: Thanksgiving Day Proclamation[1]

[November 6, 1841]

The approaching close of the year reminds us of the custom of our country, so appropriate in a Christian people, of publicly returning thanks to Almighty God for the rich bounties of His Providence, and the dispensations of His mercies and goodness. Although laboring under distress and embarrassments, the result of our own improvident conduct, yet, as a people, we have been eminently blessed. The health of our State has surpassed that of many previous years. A fruitful season has smiled on the labors of the husbandman. The horrors of war have been averted. No event has happened to diminish the high estimate we have always placed on the institutions under which we have lived and prospered. Every thing around us evinces the infinite love and kindness of the Giver of all Good.

In compliance, therefore, with the aforesaid custom, I, SAMUEL BIGGER, Governor of the State of Indiana, do appoint and set apart THURSDAY, THE TWENTY-FIFTH DAY OF NOVEMBER, A. D. 1841, to be observed as a day of Public Thanksgiving: at which time it is requested that the people meet together at the usual place of public worship, to acknowledge with grateful hearts the infinite goodness of the Supreme Ruler of the Universe, towards us as individuals, and as citizens of a great and highly favored nation: and also in humble and sincere reliance on His divine favor and protection, to invoke His blessing to rest upon us and our free institutions; and that the civil liberty and freedom of religious belief and worship, which we now enjoy, may be continued to our latest posterity.

redemption of $50 notes then in circulation. The $5.00 notes were made payable two years after date of issue, bearing ¼ of 1 per cent interest. *Laws of Indiana,* 1841-42 (general), pp. 152-54. See also Governor Bigger's message, below, 334-35. The act also provided for the method of cancelation of the notes after redemption and repealed the joint resolution of the preceding session (see above 223n) on the subject of redemption and cancelation.

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[1] Indianapolis *Indiana Journal,* November 12, 1841.

In testimony whereof, I have hereunto set my hand and
[Seal] affixed the seal of the state of Indiana, this sixth day
of November, A. D. 1841.

Samuel Bigger

By the Governor:
Wm. Sheets, Secretary of State

Visitor to State Prison: Report[1]

Brownstown, Nov. 25th, 1841

To his Excellency Samuel Bigger:

Sir—I have the honor of reporting to your Excellency, and to the Legislature, the result of my second visit to the State Prison, in the discharge of my duty as Visiter to that Institution.

I made my second semi-annual visit, from the 12th to the 19th inst. My first visit was made on the 14th June last, and I am happy to have it in my power to say, that very great improvements have been made since my first visit, in the discipline and management of the concern, and I may probably add, that it is now as well managed as the present miserably constructed establishment will admit of. The convicts are worked tolerably hard, though I do not think unreasonably so. The different branches of labor performed now have not been materially changed since the new arrangement, or since the change of Superintendents took place on the 14th June last. They are employed in blacksmithing, coopering, wagon-making, tailoring, shoe-making, carpentering, brick-making and laying, chopping wood, wagoning, &c.

There are usually from twenty to thirty hands worked within the prison, at the various mechanical branches, and the balance are worked out at various kinds of labor. They work very constantly and tolerably fast from daylight till dark, with the exception of from ten to twenty minutes, three times per day, occupied in eating. Their clothing consists (in the summer) of coarse tow linen shirt and trowsers, shoes and a woollen cap; and in winter, tow linen shirt, linsey trowsers and roundabout, shoes and stockings, and cap. These are kept tolerably whole and as clean as the nature of their employment and other circumstances will permit. They put on clean linen clothing every Sunday morning, and they are compelled to keep their apartments much cleaner than they did formerly. They are also compelled to be more particular in keeping their persons clean.

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[1] *House Journal,* 1841-42, pp. 46-50.

Their diet consists principally of corn bread baked in large loaves, (which is an excellent article of the kind) and boiled meat, and when the meat is fresh, such as beef and mutton, an excellent soup is made, thickened with corn meal, and sometimes with beans, potatoes, turnips and onions. Owing to the complaints of the prisoners, that they did not get enough to eat, I procured from Dr. Columar,[2] the clerk to the Institution, a bill of provisions consumed by the convicts, (who would average about 118 persons for five months, from the 14th June till the 14th of November) which is as follows: 18,231 lbs. bacon, 5,944 lbs. beef and mutton, 3 bbls. molasses, 5 bbls. vinegar, 4 bbls. sugar, 1 sack coffee, 1 bbl. flour, 15 bu. wheat shorts, 39 bu. beans, and 480 bu. corn meal, a few potatoes, turnips and onions.

You will perceive, from the above bill, that the amount of meat would average 1¼ lbs. per day to each individual, and secondly that it equals in weight all the balance of the food consumed. Now, when I reflect that the convicts work hard from daylight till dark, except the few minutes allotted them to swallow their food, half masticated; then swallow from one to three pounds of meat, with little or no vegetable diet, except bread, and as soon as they swallow the last meal at night, they are turned, two together, into small cells, constructed for one person, during the hot, sultry season, and no other ventilation than a hole two inches square through a door five inches thick, and this only opening into a close confined passage; I was not at all astonished to learn that since June their sick list has averaged from fifteen to thirty, and that ten of their number have died, and all from the same disease, viz: inflamation of the bowels, succeeded by inflamation of the spinal marrow, and of the lymphaticks of the pelvic region, producing painful swellings of the feet and legs, and death.

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[2] William F. Collum.

The scarcity and high price of potatoes, (which should constitute a large item in their diet) has entirely excluded them from their use during the present season, which points out the great necessity of having attached to the prison, at least ground enough to raise their own vegetables.

They have Preaching every Sunday forenoon, which lasts from a half to three-fourths of an hour: but there is no system of instruction, or Sabbath School established. They are mostly furnished with Bibles, though not uniformly so: and indeed it would only be mockery for them to be furnished with books, for they are confined in those dark miserable cells all the time, except while at work, eating, or attending preaching. The cells must be differently constructed to allow them the privilege of reading on Sunday, or while confined in them. Each individual is furnished with two blankets, and arrangements are making to convert one of them into a comfort, by lining it with tow linen, and stuffing it with batted cotton.

Whipping is the only punishment practised, and the only one which would be practicable in such an institution: and the amount of flogging is commensurate with the character of the crime for which they are whipped. Many of them (as I anticipated when a rigid discipline should be adopted) complain bitterly of too much and too severe whipping: but from the best information and observations I could make, I am inclined to think their complaints groundless. I think that the idea advanced to the last Legislature by the late Visitor, that shooting would be a more appropriate punishment than whipping, because the American character was insulted by that humiliating mode of punishment, is quite Quixotic, in relation to the inmates of a Penitentiary, when the object of their confinement is humiliation and debasement. I am willing to exclude so degrading a punishment from our Army and Navy, but it is certainly the most appropriate punishment that can be adopted among the convicts in a State Prison

There is no appropriate apartment to be occupied as a Hospital, therefore the sick, which amount at this time to fifteen, are kept in the room occupied as a Tailor and Shoemaker's shop. They have no cots furnished to lay on, and very little other convenience for sick persons: and I am compelled to say that the provision for medical attendance, made by the last Legislature, was rather parsimonious. It provided for the appointment of a Physician to the Prison, with a salary of $300: making it his duty (I think) to visit the prison daily, and examine the state of health of its inmates, and give all necessary attendance on the sick, and furnish proper medicines: and after all this, to make a lengthy monthly report to the Governor, of the health and other conditions of the Institution. Now from what I could learn, and taking my own judgment on the matter, $300 would be but little more than enough to furnish the establishment with proper and sufficient medicines: for the amount of sickness they have had for the past year, which has been comparatively a healthy year, for the large amount of sickness must be fairly attributed to circumstances exclusively connected with the condition of the Prison, and the treatment of the convicts. This being the case, I was not surprised to find the Dispensary so miserably deficient in medicines, so much so, that I should think it impossible to prescribe with any degree of safety to the sick in the hospital, unless I possessed Dr. Buchanan's magic power, of curing all diseases by the influence of Animal Magnetism.

I do not design throwing any censure on Dr. Merriweather,[3] who is Physician to the Prison, yet I am satisfied that there is a great deficiency in the stock of medicines to meet all the indications, and treat all the symptoms of so very obscure and complicated a disease as that which has inhabited the State Prison Hospital during the past season: but at the same time, I know the Physician could not feel himself justified to furnish such medicines, and do the other services required, for the sum of $300. This matter, therefore, as well as what I before stated to be the causes of their sickness, imperiously demands the consideration of the Legislature: and I beg leave to suggest the proper remedy to be, for the State to furnish the Dispensary with medicines, which I know to be the practice in some Prisons: Secondly, to provide that the prisoners be fed less meat, and more vegetables, and that they be allowanced in meat, and have as much bread, soup, and

[3] Dr. Samuel Meriwether of Clark County.

vegetables as they can eat: that in the construction of new cells, there be a sufficient number for the prisoners to be lodged separately, and that the doors of the cells be made of cast iron-lattice-work, with wrought-iron cross-bars riveted to the cast-iron, leaving the whole front of the cells an open net work, which will give sufficient ventilation, and light by which they may read while confined in them.

The prisoners are not permitted to use any profane language, or to hold any conversation with each other, only as far as their business or employment may require. Their dress is uniform, as I already stated. Each one has a chain fastened to one leg, and their head shaved: they are compelled to keep themselves cleanly washed and shaved. They are not permitted to ask for anything at the table: each one has his station allotted him at the table, and he does not change it: each one has a tin dish, knife and fork, and a spoon, furnished to eat with: their plates or dishes are all furnished before they set down: they come to the table and leave it at the ringing of a bell: when they want bread, they hold up their hand, and for soup, they hold up their spoon, and a waiter furnishes them. When they have soup, (which should be uniform and daily,) there should be at least three attendants, so that they may not be idle during the little time allotted them to eat. At present, there is but one to attend the whole number with soup, and he takes it in regular turn around the table, therefore the person at the last end of the table is half his time idle, and consequently has to leave the table unsatiated. This is a small matter, yet important to the poor fellow at the foot of the table.

The number of prisoners on the 14th of June, when Messrs. Pratt & McDougal took charge of the establishment, was 112—since which time they have received 40, and 2 have escaped: 4 have been pardoned: 10 have died: and 12 have served out their time of confinement—leaving 124 now in the prison. This gives an increase of 12 in five months, notwithstanding the escapes, deaths and pardons.

Permit me to draw the attention of the Legislature to the rapid increase of convicts, which will reasonably continue, if we take a prospective view of the rapid increase of population of our State: the character of a population drawn here by our system of Internal Improvements: our location bordering on the great thoroughfare of the West: and the rapid improvement in the science of crime, produced by the wealth, idleness and luxury of an old settled and commercial country, not known to a new and agricultural country —with a strong probability of the abolishment of capital punishment—all these causes will conspire to increase the number of Penitentiary inmates. Unite this view of the subject with the law of last year, requiring the prisoners to be worked exclusively within the prison at mechanical pursuits—and then compare all this with the location, size, and construction of the present prison, which is located in an incorporated town, bounded by streets which cannot be vacated, and on a tolerably steep declivity, occupying an area of one acre, 150 feet wide, by 400 feet long: and the citizens of the Town so strongly opposed to the institution that they encourage the prisoners to escape, and prosecute citizens for apprehending them: and finally do every thing in their power to harrass and thwart all the objects of the establishment. With the exception of a new work-shop built, or rather removed recently from the enclosing wall of the prison to the centre of the area, which is a well constructed building, all the balance of the buildings must be rebuilt, or remodeled: and in fact to take the whole establishment throughout, it is opprobrious and unprofitable to the State, and must forever remain so till we make a new beginning. Common sense will at once dictate to you the impracticability of constructing, upon an area of 100 feet by 400, cells, office, work-shops, cook-houses, store-houses, hospital, &c., and working the present number of prisoners within the prison limits —agreeably to the law of the last Legislature—to say nothing of the prospective increase. From these considerations, I would suggest the propriety of re-locating the prison, without expending any thing more on this old establishment: and the labor of the convicts will be all-sufficient (with proper management and direction) to accomplish the enterprise within the fifteen succeeding years, and probably in ten years. It will probably require some present aid from the State, which will be fully remunerated at the extent in fifteen years: and we shall then have an establishment which will be an honor to the State, and yield a handsome income to the Treasury, (if profit be the object.)

In making the new location and constructing the new buildings, the object of pursuit should be well matured: and the extent of territory should be commensurate with the objects of pursuit, but it should in no wise be located without having from four to five acres of prison enclosure, and from 20 to 30 acres for the prisoners to raise their own vegetables: and it would be well for the Legislature to possess herself of the objects and views of large meetings, and petitions of the citizens of New York, petitioning their Legislature to employ the convicts exclusively at agricultural pursuits. I would propose to your consideration the propriety of removing it towards the central part of the State, and procure lands sufficient to employ the prisoners at raising their own provisions, and raising hemp, and manufacturing the same into bale-rope and bagging—also, getting into the vicinity of knobs, abounding in good tan bark, and prosecuting the tanning, and manufacturing the leather into shoes, saddlery, &c.

If this plan should meet with favour, I presume arrangements could easily be made with the present Superintendents, after the State would select and purchase the location, and (for two or three years) make some advancement to enable them to prosecute the work. To complete the whole work, and reimburse the State Treasury in less than fifteen years, and have an establishment which would be both honorable and profitable to the State, and which would much better subserve the object of the Penitentiary system.

I submit the foregoing remarks to the wisdom and dignity of the Legislature, with the fullest confidence that they will be governed in their deliberations on this important matter, by a spirit of liberality, political economy, and State pride, and a sense of benevolence, humanity and sympathy, towards a miserable, depraved class of fellow-beings: whose natural depravity and surrounding circumstances, or contingencies, have subjected them to this misfortune and degradation: and for whom our Penitentiary system was adopted, not so much as a means of revenge, or to add misery to misery, misfortune and degradation, as to correct their dissolute habits, innure them to labour and industry, discatenate their evil associations, and humble and subdue a stubborn, uncultivated, or unmastered disposition: and adopt the best means to effect this object.[4]

I have the honor to be your obedient servant,

Samuel Wort
Visitor to Indiana State Prison

Allen Hamilton to Bigger[1]

Miami Payment Ground,
November 27, 1841.

To his Excellency, Samuel Bigger, Governor of Indiana.

Sir, During the investigation of the claims under the late Miami Treaty,[2] a large number of Indians were assembled, as well as a number of loose and disorderly white men. Several petit roberies were perpetrated by the vagrant white men on the Indians, which have avoided detection. One Indian during a time of intoxication stole from a white man a coat, when sober acknowledged the theft, was tried at the Huntington Circuit Court, and sentenced to the state's prison, where he is now confined.—A petition was got up, requesting his pardon, which I fear, the person having charge of, has not forwarded to your Excellency.—The Indians think hard, that all the white men escape who steal from them, while a single theft committed by an Indian, is so severely punished.—The Hon. John W. Wright President Judge of this Circuit, before whom the trial took place, informed me, he wrote you, requesting his pardon; indeed such was the respectability of the signatures to the petition for his pardon, that I confidently expected notice of it.—Should he be pardoned he could not return to his people, without a guide and means of

[4] See Wort's earlier report above, 252-55. For the Governor's comments on the prison to the Assembly, and the Assembly's action thereon, see below, 336-39n.

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[1] Governors Correspondence, Archives Division, Indiana State Library.

[2] The treaty concluded at the Forks of the Wabash on November 28, 1840. Kappler (ed.), *Laws and Treaties*, 2:531-33.

getting home.—I have taken the liberty of requesting, that if he is pardoned, to be notified, so that I can send for him by a person who speaks his language.—Trusting that under all the circumstances, you will have the goodness to restore to his people this Indian,

I remain, with sentiments of respect Your obt Servt.

ALLEN HAMILTON
Sub Agent to the Miamis

We the undersigned citizens of Indiana, are conversant with the facts of the foregoing case, and respectfully recommend the pardon of the Indian.—

ALEXANDER WILSON	H. B. MILROY
GEO. W. EWING	C. VIGUS
CYRUS TABER	D R BEARSS
J. B. DURET	L. G. THOMPSON
J. B. BERTHELET	FRANCIS COMPARET
N. D. GROVER	ELIAS MURRAY

[Endorsed:] A pardon will issue in this case Decr 8, 1841
SAM BIGGER

Superintendents of State Prison: Report[1]

[November 30, 1841]

The following report relative to the condition and operations of the State Prison, is submitted in obedience to the 8th section of "an act to amend an act for the regulation of the State Prison," approved February 10th, 1841.

In conformity with their appointment and contract, they entered in discharge of their duties as Superintendents on the 14th day of June last.

The financial condition of the institution since that time, as made out by the clerk of the Prison, ending on the first day of November, a period of four and a half months, and reported to the Auditor of State, exhibits a balance of $6,899 66 in its favor, and above its indebtedness: the tools in use in the various mechanical branches of the prison, articles of manufacture, and raw materials, being assessed as a part of its resources, and embraced in the above amount. At the time we took charge of the institution we had to provide it with every article necessary for the labor and safe keeping of the convicts, as we received nothing at the time but the naked prisoner and the walls, which has necessarily increased the expenses of the institution to a greater degree than will probably be found necessary at any subsequent period. The great prostration of trade, and depression in monetary affairs which is prevailing throughout this region of country, has greatly tended to the depreciation of all our articles of manufacture, which renders the institution less lucrative than would probably be expected under a different condition of affairs. The result, however, as shown by the clerk, exhibits a much more favorable condition than was at first anticipated.

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[1] *Documentary Journal,* 1841-42, House Doc. No. 16.

The situation of the shops formerly erected within the walls of the Prison gave such easy facilities for escape, being attached to the outer walls, and for the want of a proper and necessary space for the erection of such buildings as was contemplated by the law of last session, it was found necessary to remove the old shops, which has been done, and we commenced about the 1st of September the erection of the buildings referred to, as required by law, and designed for all the purposes of the Prison, as its limited extent and space would admit, which is now in a rapid state of completion. This building which covers all such space within the walls as was deemed prudent for the better security of the convicts, and which was designed for the employment of all the convicts within its walls, is found altogether inadequate for the purpose. We have now in confinement 125 prisoners, out of which number there cannot be employed in any exigency more than two-thirds of that number within this building, to any advantage or profit to the institution, and by reference to the register of the convicts, kept at the prison, we find the increase of number in the last five years to be about twenty per cent., and of the last six months very near a hundred per cent. greater than at any former period. Taking the increase of the last five years as data, we will have in a very few years two or three hundred convicts within the walls of a prison that cannot find room for the employment of one-fourth the number. We make these statements for your information, that such steps may be taken in the accomplishment of the law as in your wisdom you may deem proper.

The health of the convicts during the past season has not been so good as we would desire to say. One in eleven of the whole number have died within a period of four months. The cause of this great mortality is attributable, in a great degree no doubt, to the want of a proper and healthful ventilation of the cells or dormitories; the more general causes, however, will, we presume, be given in the report of the physician to the Prison. The health at present, with some few exceptions, is pretty generally good.

The Hospital and Chapel, which is designed by the law of last session to be erected near the Northern end of the prison enclosure, will be commenced as soon in the spring as will be found practicable.

We subjoin tables in reference to the convicts which may be deemed interesting.

Number of convicts in confinement June 14, 1841	112	
Received since	42	
		154
Discharged.		
By expiration of term of sentence	12	
Pardoned by the Governor	5	
Escaped	2	
Died	10	
		29
Leaving in confinement November 30th, 1841		125

Crimes and Number

Larceny	44
Horse stealing	24
Manslaughter	11
Passing counterfeit money	9
Forgery	7
Burglary	7
Burglary and Larceny	6

Intent to murder	4
Murder	3
Receiving stolen goods	2
Retaining counterfeit apparatus	2
Intent to rape	1
Rape	1
Robbery	1
Robbing U. S. Mail	1
Arson	1
Perjury	1
	125

In relation to the specific crimes of the convicts, the above table is not satisfactory, as many of the Clerks of the Circuit Courts in making out the record of sentence, give the crime of larceny in its general term, and do not specify its nature.

Terms of Sentence and Number.

For one year	5
For two years	40
For two years and six months	1
For three years	20
For three years and six months	3
For four years	10
For four years and six months	1
For five years	19
For six years	4
For six years and six months	1
For seven years	6
For eight years	2
For nine years	1
For ten years	5
For twelve years	1
For fourteen years	1
For twenty-one years	2
For life	3
	125

Ages.

From fifteen to twenty years	14
From twenty to thirty years	63
From thirty to forty years	22
From forty to fifty years	16
From fifty to sixty years	8
From sixty to seventy years	1
From seventy to eighty years	1
	125

Counties from where sent, and number.

Adams	1	Miami	1
Allen	4	Monroe	2
Bartholomew	1	Morgan	1
Clark	4	Orange	1
Carroll	2	Perry	3
Crawford	3	Putnam	1
Dearborn	1	Parke	2
Delaware	3	Randolph	6
Floyd	8	Ripley	1
Fayette	1	Rush	1
Franklin	1	St. Joseph	2
Gibson	1	Sullivan	2
Harrison	3	Scott	3
Huntington	2	Shelby	2
Hendricks	1	Tippecanoe	5
Henry	1	Union	1
Jennings	5	Vigo	5
Jackson	1	Vermillion	1
Jefferson	5	Vanderburgh	3
Knox	5	Washington	6
Laporte	3	Warren	3
Marion	5	Wayne	1
Madison	4	Warrick	1
Marshall	1	Wabash	3
Martin	1	Whitley	1
			125

Nativity and Number.

Kentucky	20	Vermont	1
New York	15	Louisiana	1
Pennsylvania	15	New Jersey	1
Virginia	14	Maine	1
Ohio	13	Maryland	1
North Carolina	8		
Indiana	6	Natives of United States	111
Tennessee	3	do England	4
Massachusetts	2	do Ireland	6
New Hampshire	2	do Germany	2
Connecticut	2	do L. Canada	1
South Carolina	2	do France	1
District of Columbia	2		
Illinois	1		
Missouri	1		125

Trades and Professions.

Carpenters	10	File cutters	1
Coopers	9	Silk weaver	1
Blacksmiths	8	Tanners	1
Brick makers	8	Silversmiths	1
Farmers	6	Plasterers	1
Brick masons	5	Painters	1
Tailors	5	Tinners	1
Engravers	3	Chair makers	1
Shoe makers	3	School teachers	2
Wagon makers	3	Lawyers	1
Cabinet makers	2	Ministers of the Gospel	2
Gunsmiths	2	Common Laborers	44
Bakers	2		
Turners	1		
Potters	1		
			125

Education.

With but very few exceptions, the general education of the prisoners is very poor; a great many of them can neither read nor write.

Of the number in confinement ten are blacks, one Indian and one female.

JOS. R. PRATT,
JNO. MCDOUGAL,
Superintendents

OFFICE OF THE STATE PRISON OF INDIANA,
JEFFERSONVILLE, NOV. 30, 1841.

Treasurer of State: Annual Report[1]

TREASURER'S OFFICE,
INDIANAPOLIS, December 1, 1841

TO HIS EXCELLENCY, SAMUEL BIGGER, GOVERNOR OF THE STATE OF INDIANA:

SIR:—I have the honor to submit the annual statement required by law, of the receipts and expenditures of the State, and the operations of the loan office.

The statement marked A Exhibits the amount received and disbursed at the Treasury, for the purposes mentioned, from the 1st November, 1840 to the 31st October, 1841, shewing the whole sum received to have been $451,645 08; and the whole sum paid out to have been $421,870 15.

It will be seen that the sum realized at the Treasury for revenue of 1840, amounted to $166,802 90. Of this, $149,700 was paid in Treasury Notes, with interest thereon amounting to $4,450 00,[2] leaving only available for expenditure, $12,652 90. The deficiency thereby occasioned has been mainly supplied by the deposite of $35,451 02 of interest on canal lands, made by the Fund Commissioners under the joint resolution of 24th February, 1840, continued by the act approved 4th February, 1841, chapter 81, and by the deposite of $27,061 51 of the common school fund made by the commissioners of the sinking fund under the act approved 6th February, 1841, chapter 121.[3] This last deposite seems to have been designed to remain permanently in the Treasury, and the State is chargeable with interest thereon. For the repayment of the other, the Treasurer was authorised by the act above referred to, (chapter 81) to negotiate a loan with the branches of the State Bank. Application was accordingly made to the several branches, but none were found willing to advance any portion of what was required, nor to afford any hope of an ability to do so at any future period. It will therefore become necessary for the General Assembly to provide other means of payment, should it be required.

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[1] *Documentary Journal,* 1841-42, House Doc. No. 5.

[2] Note the discrepancies between these figures and those given by the auditor above, 266-67.

The item of deposites from the common school fund would have been increased $853 87 but for the refusal of the Lafayette Branch of the State Bank to honor the draft of the Fund Commissioner for that amount. A copy of the Cashier's letter to me on that subject is subjoined, from which it will be perceived that the Bank has placed the above sum to the credit of the State, on account of interest due that branch.[4]

One instalment of interest on the bonds and mortgages transferred by the Lawrenceburgh and Indianapolis Railroad Company to the State, having fallen due since the enactment of the law placing all Internal Improvement funds into the Treasury, there should have been received from that source the sum of $5,667 73. Only the sum of $600 19 has reached the Treasury, as shown in the exhibit of receipts.[5] Much of the residue, it is presumed, has been paid into the Lawrenceburgh Branch Bank, where the bonds and mortgages are made payable; and although not officially informed of the fact, yet it is understood that the Bank has carried this as well as some other preceding payments to the credit of the State on account of the State debt owing to that branch.

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[3] See above, 69n, and *Laws of Indiana,* 1840-41 (general), pp. 161, 203.

[4] This letter has not been reprinted here.

[5] A review of the Lawrenceburgh and Indianapolis Railroad Company's financial history is given in a report which the state treasurer made to the House on December 31. *House Journal,* 1841-42, pp. 661-63. The Assembly passed an act to provide for the collection of the debt due from the company (*Laws of Indiana,* 1841-42 [local], pp. 134-35) and also an act extending the time allowed the company to settle and close up its affairs. *Ibid.,* p. 130.

Several failures have occurred in the payment of interest on these securities, which will require prosecutions of foreclosure in the proper Courts—some of which are now in progress.

The payment of interest in the various departments of the loan office has been better attended to than was expected, considering the pecuniary embarrassments of the country. The publication of the delinquent list was delayed beyond the usual period, and until the wheat crop was generally brought to market, thus enabling many to pay without cost who otherwise could not; and although the list is somewhat larger than usual, it is hoped that but few cases of absolute forfeiture will occur.

The act of the last session, extending time for the payment of these loans,[6] was so construed at this office as not to require any part of the principal the first year. But its provisions seem only to extend to cases where the loans were due when the law was enacted, or which became due the present year, and if similar or any other indulgence is designed for those falling due hereafter, it will require a further enactment.

The balances due the College, Saline and Bank Tax Funds are required by the existing laws to be paid over to the State Bank and to be converted into Bank stock.[7] At the meeting of the State Board to be held on the second Monday of the present month, the amount due the Saline and Bank Tax Fund will be so paid over. I have been induced to withhold the balance due the College Fund until the meeting of the General Assembly, in consequence of a request to that effect from the board of trustees of the Institution, a copy of which accompanies this report.[8]

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[6] This was a provision in the act amending the 1837 act providing for distributing the Surplus Revenue (*Laws of Indiana,* 1840-41 [general], pp. 194-96). Sections 9 and 10 provided that borrowers of the Sinking Fund and the Saline and College funds whose loans were due or might fall due in 1841, might have their time extended so that their loans should be paid in five annual instalments bearing the interest then charged.

[7] The act providing for this was repealed at the present session. *Ibid.* (general), p. 85. See below, 297n.

It is a matter of some difficulty to estimate the probable means of the State for meeting the ordinary expenses of the ensuing year.—Depending mainly on the revenue assessed and to be collected, the ability of the State to meet the liabilities for 1842 will rest on the promptitude on those collections and on the kind of funds received therefor. Should there be found the usual punctuality, I do not doubt but that enough will be received in current funds to meet the ordinary demands upon the treasury. But the time of settlement and payment by collectors not being required by the existing laws until the second Monday in January, may prevent the proper information being obtained until it will be too late for the General Assembly to provide for a deficiency, and may therefore require some prior contingent provision to be made on that subject.[9]

The State Bank, it is understood, will avail herself of the permission given in the Act of last session, (chapter 121) to litigate the right of the State to collect on her Stock, more than at the rate of taxation on other property.[10] The Branch at

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[8] See below, 296-97.

[9] See report of the ways and means committee and legislation to provide for meeting a possible deficit, below, 405, 410.

[10] See *Laws of Indiana,* 1840-41 (general), p. 203. This is Section 5 of "An Act to provide in part for the payment of the interest on the public debt, and to increase the stock of the state, in the state bank. . . ." The section read: "That hereafter the capital stock of the said bank shall be taxable, in addition to the tax of twelve and one-half cents on each share for education, only for state purposes; which tax shall be a per centum, in amount each year, equal to the amount of state tax; and to the amount of county tax in the county in which the respective branch may be situated for the year; and shall be paid over by the cashier of each branch to the treasurer of state, and by such cashier shall be charged to the stockholders and deducted from the dividends: *Provided,* that the whole amount of the tax herein provided, with said education tax, shall not exceed one per cent. on the said capital stock: *Provided:* that the right is hereby reserved to the bank of having the question adjudicated in any court of record in this state . . . whether the tax assessed by the fifteenth section of the bank charter for education purposes is included in or in addition to the ad valorem taxation to which the individual stock is liable as other property, while the whole of the assessment on such stock is, in all, less than one per centum. . . ."

Indianapolis has accordingly refused to pay the amount drawn for by the Auditor; and the question will be submitted to the proper tribunals for adjudication, with as little delay as possible.

The resources of the State, derived otherwise than from taxation, may be enumerated thus:

Balance in the Treasury, 31st October	$29,774 93
From outstanding Treasury Loans	1,000 00
From outstanding Loans of Indianapolis Fund	100 00
From proceeds of sales of lots in Indianapolis	2,500 00
From deposite of Surplus Bank dividends, and profits of Sinking Fund, constituting the Common School fund	60,000 00
To the above may be added the share of the State in the proceeds of the sales of public lands, to be distributed under the late act of Congress, and which may amount to $130,000, and has not yet been appropriated[11]	130,000 00
	$223,374 93

In the above estimate I have not included the proceeds of Canal Lands and interest thereon, tolls and water rents on the public works, and other items belonging to internal improvement account: as, since the expiration of the act approved 6th Feb. 1841 (chapter 121) there exists no authority to use any portion of the same for the ordinary demands on the treasury.

In regard to the item of "Common School Fund," it is proper to remark that, should other branches of the State Bank, to whom the State is indebted, pursue the same course with the future dividends accruing to the State, as was by the Lafayette branch with the last, but little, if any, of the above sum of $60,000, will be available for the ensuing year.

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[11] By act of September 4, 1841, certain states including Indiana were to be allowed 10 per cent of the net proceeds of the sales of public lands within their boundaries, and the net residue of the proceeds was to be divided among all the states. The act was suspended by act of August 30, 1842. U. S. *Statutes at Large,* 5 (1835-45): 453-58, 567. See below, 458.

The probable demands upon the treasury for the ensuing year, may be estimated thus:

Unaudited and other claims not presented for payment, but due Oct. 31, 1841	$12,000 00
Balance of College fund	6,418 48
Balance of Saline fund	4,924 20
Balance of Estates without heirs	1,402 39
Balance of County Seminary fund	494 40
	$25,241 47
	[25,239 47]

For appropriations for ordinary expenses:

Public Printing,	$11,000 00
Distributing Laws and Journals	700 00
Stationery	3,000 00
General Assembly	38,000 00
Judiciary	15,500 00
Probate Judges	4,000 00
Executive	6,000 00
Prosecuting Attorneys	1,700 00
Militia, (pay of Adjutant and Quarter Master Generals)	150 00
State House	3,000 00
State Library, (including pay of Librarian)	700 00
Transporting convicts to State prison	1,800 00
Presidential election of 1840	100 00
Specific appropriations	6,000 00
Contingent appropriations	1,000 00
	92,750 00
	[92,650 00]
	$117,991 47

The character and amount of the public debt, so far as connected with this office, has not materially changed since the last annual report, stating it at $13,667,433. The act of last session requiring the Treasurer of State to sign, number and register, all State bonds thereafter to be issued, was adopted so late as to render it necessary that I should accompany the Fund Commissioner to New York to prepare the bonds needed for the redemption of the Treasury Notes falling due on the 20th April.[12] In performance of that duty, I signed 800 bonds for $1000 each, numbered from 1 to 800, payable the principal in 5 years, and the interest semi-annually at 7 per cent., in the city of New York. Six hundred of these were left with the Fund Commissioner, and the residue brought home to exchange with such holders of treasury notes as might apply at the treasury for that purpose. Six bonds have been thus used, numbered from 1 to 6 inclusive, redeeming $5,600 of treasury notes, with the interest thereon accrued, to the 1st July. Of those left with the Fund Commissioner, he has returned to me 550, numbered 201 and 202, and from 253 to 800 inclusive: the residue being 50 bonds, numbered from 203 to 252 inclusive, he reports to have changed by interlining from 5 to 2 year bonds, and then to have placed with Messrs. McCalister & Stebbins, to be paid to the holders of our stocks on account of the last July instalment of interest; the interlined bonds to be replaced with engraved ones of the proper description, so soon as prepared. These I have recently signed and delivered to the Fund Commissioner, numbered from 1 to 100 inclusive, bearing the same rate of interest, and payable in New York.[13]

One of the duties of the Treasurer in relation to State Bonds, is to number them, "commencing with the highest number heretofore sold." This, I found it impracticable to comply with, as several different numberings had been used, and it was not very easy to ascertain what was the highest number in circulation, many of our bonds being then hypothecated, and it being uncertain whether they could be redeemed: and also, whether if redeemed, the same numbers would be returned that were originally pledged.

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[12] See Sections 13 and 19 of the act "to provide for the appointment of a fund commissioner, to collect the suspended debt." *Laws of Indiana*, 1840-41 (general), pp. 214-18.

[13] See above, 247-48n, for Fund Commissioner Noble's account of this failure to sell the bonds.

Under these circumstances, and as these bonds were of a special character, and different in their duration and amount of interest from any before issued, I thought it best to number them as before stated. In all other particulars I believe the law has been fully complied with.

Within the present year, $164,000 of treasury notes have been issued under the provisions of the act entitled, "An act for the immediate relief of contractors and others engaged on the Public Works."[14] Thus making the whole amount issued, $1,448,000. Within the same time the treasury notes paid into the treasury prior to the 10th Feb., have been, by the Secretary, Auditor and Treasurer of State, counted and burned.[15] The amount so destroyed, being $147,700: the interest on which amounted to $4,403 84. If to the amount thus destroyed is added those redeemed as above stated by State bonds, $5,600, and those since paid for revenue of 1840, say $2,000, it will leave in circulation, $1,292,700.

Should the present year's revenue be paid with the usual punctuality, and mostly in treasury notes, as is generally supposed, the above sum will be reduced considerably below one million within the next three months.

I annex hereto, statements marked B, C, D, E, and F, showing in detail the operations in the College, Saline, Surplus Revenue, Congressional Township, and Bank Tax Department of the Loan office, and a list of loans of these funds made the past year, marked G.[16] Also, a copy of the letter from the Cashier of the Lafayette Branch Bank,[17] marked H, and a copy of the letter of the President of the Board of Trustees of the Indiana University, enclosing copies of the resolutions of that Board, marked J: both having been heretofore referred to. Also, a statement of expenditures from the Contingent Fund, and bills of Stationery, purchased for the use of the General Assembly, Public Printing, and the Public Offices.

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[14] See above, 68, 222n-23n.

[15] For act concerning this, see above, 223n.

[16] Not reprinted.

[17] Not reprinted.

All which is respectfully submitted,

GEORGE H. DUNN, Treasurer of State

A

A statement of the Receipts and Expenditures of the State, including the College and Saline funds from the 1st November, 1840, to the 31st October, 1841

Receipts.

Balance of cash on hand Nov. 1st, 1840		$ 6,016 81
Receipts during the fiscal year from estates without heirs		258 19
From sale of lots at Indianapolis		3,609 93
From Incidental sources		97 78
From Treasury Notes issued for Internal Improvement purposes	164,000 00	
From Internal Improvement, being amt. deposited under Joint Resolution of 24th Feb'y, 1840, by Fund Com'r	35,451 02	
From water rents	2,698 16	
From Tolls	4,103 52	
From Int. paid on mortgages transferred by Lawrenceburgh and Indpls. R. Road Co.	600 29	
From balance of debt due from L. W. Scott	14 00	
From principal for Canal lands	500 00	
From Interest for Canal lands	1,630 67	
From Interest on loans by Com'r of Sinking Fund of 3d instalment of Surplus Revenue	9,463 50	
General contingencies	495 29	
		218,956 45

From Revenue of 1837		10 00
From Revenue of 1838		55 95
From Revenue of 1839	289 88	
From Revenue of 1839, paid by Co. Treas.	923 51	
		1,213 39
From Revenue of 1840		166,802 90
From Revenue of 1841		818 70
From Treasury loan refunded		1,152 31
From Interest on loan refunded		368 60
From Sale of mortgaged land		3,710 75
From Interest on loans of Indianapolis fund		39 14
From Common school fund deposited under act of 1841, chapt. 121		27,061 51
The rect's in the col. br. of the Loan office have been—		
Balance on hand Nov. 1, 1840		1,251 61
Loans refunded		4,055 04
Interest on loans		4,665 59
Jno. M. Berry, commissioner		1,558 37
James Smith, commissioner		1,336 52
Sales of mortgaged lands		1,044 09
Receipts from Saline fund—		
Cash on hand Nov. 1, 1841		1,960 67
Interest received		3,244 47
Paid by Henry Young, commissioner		341 37
Paid by Andrew Wilson		993 78
Loans refunded		1,295 00
Sale of Mortgaged land		826 16
		$451,645 08
		[$452,745 08]

Expenditures.

Internal Improvements	312,779 83

Pay and mileage of members of the Legislature and other officers, &c.	38,092	59
Revenue of 1838 refunded	19	31
Revenue of 1839 refunded	237	03
Revenue of 1840 refunded	432	90
Interest on Treasury Notes	4,403	84
Sales of mortgaged lands	3,245	65
Public Printing	11,574	56
Pay of Probate Judges	3,939	00
Pay of Executive officers	3,559	55
Pay of Circuit Prosecutors	1,632	91
Pay of Judges of Supreme and Circuit Courts	15,432	88
Payments on account of militia	150	00
Payments on account of State Prison	1,655	23
Payments on account of Presidential election	655	40
Payments on account of State Library	562	07
Payments on account of State-house	2,378	01
Payments on account of Seat of Government	200	29
Premiums on Wolf-scalps	10	00
Specific appropriations	8,528	03
Contingent expenses	823	61
School fund refunded	118	75
Stationery	1,301	72
Militia fines distributed	7	00
The disbursements on account of the College branch of the loan office have been—		
Loans made	1,250	00
Payments on account of Indiana University	5,146	90
Sales of mortgaged lands	1,095	84
The disbursements on account of the Saline branch of the Loan office have been—		
Loans made	1,675	00
Sales of mortgaged land	579	41
Saline fund expenses	382	84
Balance	29,774	93
	451,645	08

Outstanding warrants No. 4087, 4479, 4649.

B

College Fund

Report of the operations of the College fund from 1st November, 1840 to 31st October, 1841

Balance on hand 1st November	1,251	61
Loans refunded	4,055	04
Interest received	4,665	59
Received from John M. Berry, com'r of reserved township in Monroe county	1,558	37
Received of James Smith, com'r of reserved township in Gibson county	1,336	52
Sales of mortgaged lands	1,044	09
	13,911	22
Loans made	1,250	00
Sales of mortgaged lands	1,095	84
Payments on account of Indiana University	5,146	90
Balance on hand 31st October	6,418	48
	13,911	22

C

Saline Fund

Report of the operations thereof from November 1st 1840, to 31st October, 1841

Cash on hand Nov. 1, 1840	$ 1,960	67
Interest received	2,244	47
Paid by Andrew Wilson, com'r of Saline lands in Washington county	241	37
Paid by Andrew Young, com'r of Saline lands in Orange county	993	78
Loans refunded	1,295	00
Sales of mortgaged land	826	16
	7,561	45

Loans made ....$	1,675 00
Sales of mortgaged land	579 41
Saline fund expenses	382 84
Balance Oct. 31	4,924 20
	7,561 45

D

Surplus Revenue

Report of the operations of that portion of the same loaned at Treasurer's office from 1st November, 1840, to 31st October, 1841

Receipts

Balance cash on hand last year ....$	446 57
Interest	388 15
	834 72

Expenditures.

Loans ....$	452 00
Treasurer's per cent. up to 10th Feb'y	12 41
Paid De Kalb county	170 00
Balance cash on hand	200 31
	834 72

E

Congressional Township Fund

Report of the operations thereof from 1st November, 1840, to 31st October, 1841.

Receipts

Cash on hand last year ....$	282 60
Interest received	64 32
Loans refunded	300 00
	646 92

Expenditures

Treasurer's per cent. up to 9th Feb'y	$	1 97
Balance		644 95
		646 92

F

Bank Tax Fund.

Report of the operations thereof from 1st November, 1840, to the 31st October, 1841.

Receipts.

Balance cash on hand last year	$	703 13
Interest		738 94
		1,442 07

Expenditures.

Loans	$	650 00
Cash on hand		792 07
		1,442 07

I

Copy of a letter from D. K. Maxwell, President Board of Trustees of Indiana State University

BLOOMINGTON, July 28, 1841

GEORGE H. DUNN, ESQ., Treasurer of Indiana.

SIR:—At the late meeting of the Board of Trustees of Indiana University the following resolutions were adopted viz:

Resolved, That in the opinion of this Board the 10th section of the act of February 1841 entitled "an act to amend an act approved February 6th 1837" entitled an act to provide for distributing so much of the surplus revenue of the United States as the State of Indiana may be entitled to, and receive by virtue of an act of Congress approved January 23d 1836, and which provides that the funds of the Indiana University, which it was generally intended should be secured by the Treasurer of State by mortgages upon real estate, be for the future invested in stock of the State Bank of Indiana, is deemed by this Board an impolitic change of the investment of said funds and having by possibility a tendency to render the same hereafter less secure and certain than they would be, if secured as they were before the passage of said act, by mortgages on real estate.

Resolved 2d, That it is our earnest desire, that the original plan of permanent security, which has heretofore worked *admirably well,* should be continued, and that the President of the Board communicate this resolution to the Treasurer of State, expressing to him the very great advantages to the best interests of the University which the Board conceives would result, if he the said Treasurer, could consistently with his duty as a State officer, delay to place any of said funds in Bank until the ensuing session of the Legislature, and the Board have an opportunity of memorializing the said Legislature on the subject.

Resolved 3d, That the President of the Board present to the next Legislature, a memorial setting forth their wishes upon this subject, and requesting the repeal of so much of said 10th section of the act of February 5th [15th] 1841 as relates to the funds of Indiana University.[18]

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[18] The Assembly complied, repealing that part of the act of the previous session converting the various funds into bank stock. *Laws of Indiana,* 1840-41 (general), pp. 192-96; *ibid.,* 1841-42 (general), pp. 85, 86. The act passed at the previous session had included the granting to the Bank the privilege of extending the issuing of small notes of less than $5.00 denomination for five years. When the question of repeal of the provision for converting the funds into bank stock was being debated, the Indianapolis *Sentinel* stated: "This was part of the law authorizing the Bank to issue shin plasters; and it was made the duty of the Bank to take charge of and loan those funds in consideration of the small bill privilege, instead of paying for that privilege in cash a bonus of one per cent. on the amount of shin plasters issued." According to the *Sentinel* the Democrats advocated repeal of the whole measure, while the "Bank men" opposed it so violently that at one point they were crying for the Whigs to leave the hall to break a quorum. "But not withstanding these attempts to prevent the progress of legislation unpalatable to the Bank, the mass of Whig members, to their credit be it said, refused to obey those assuming to be their leaders. . . . " Issue of January 15, 1842. See also letter of E. M. Chamberlain, January 15, 1842, printed below. The small note privilege was not repealed, though after June 15 the bank was to redeem the small notes in specie upon their presentation.

J

Statement of Contingent Expenses from 1st November, 1840, to 31st October, 1841

R. M. Hartness, for transportation of Ordnance stores	$ 22 50
Wm. Tate & Son, for storage of public arms	16 20
John Cain, for Postage	2 25
Geo. W. Sheever, repairs on Governor's residence	12 00
W. Y. Wiley, Ink for Auditor's office	75
C. Williams, for repairing desk in Auditor's office	1 00
John Cain, for Postage	181 47
S. Francis, advertising Proclamation of reward	5 00
W. H. Lengenfelter, for repairs on Governor's residence	3 00
M. Byrket, for repairs on Governor's residence	21 00
W. R. Davis, for storage and repairs of public arms	21 00
R. M. Hartness, transportation of public arms	18 00
John Broadwell, transportation of public arms	28 90
A. H. Davidson, weighing and porterage of public arms	1 00
Richard Owen, transportation of public arms	24 87
Jos. M. Moore, for Postage	132 00
C. B. Davis, Stationery for use of Governor	16 94
Joseph J. Stretcher, Book-case for Treasurer's office	30 00
Wm. Stacy, Record books and Stationery, for Governor's use	5 19

President of the State Bank: Annual Report[1]

[December 1, 1841]

To the General Assembly:

The capital of the State Bank has been increased since the last annual Report, as follows:

Third instalment of State Stock in Michigan city branch from collection of Surplus Revenue and Sinking Fund Loans	$20,000 00
Same in South Bend branch from same sources	15,000 00
State Stock in Terre Haute branch, from same sources	5,000 00

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[1] *Documentary Journal,* 1841-42, House Doc. No. 9.

State Stock in Evansville branch, paid over by Treasurer of State from Saline Fund and Bank School Tax		5,716 27
Total increase of State Stock		$45,716 27
Increase of private stock, Michigan city branch	$10,225 00	
Increase of private Stock, South Bend branch	360 37	
Increase of private Stock, Richmond branch	11,850 00	
Increase of private Stock, Vincennes branch	1,750 00	
Increase of private Stock, Lafayette branch	100 00	24,285 37
		$70,001 64

The collections from the Sinking Fund and Surplus Revenue, will hereafter furnish means for the stock contemplated to be subscribed on behalf of the State, in the three new branches to be established. In the present condition of the country, it has not been thought advisable to take immediate steps for their organization. As soon as any action can, with propriety, be had on the subject, there will be no unnecessary delay. Whenever specie payments are resumed, temporary loans to some extent may be made in anticipation of collections at the Sinking Fund office, and as soon as the private stockholders can pay over their stock, that of the State may be ready.

. . . .

The profits of the Bank for the year ending the 31st of October last, amounted to $254,175 18, or a fraction less than nine and a third per cent. of this sum, $17,469 60 has been added to the Surplus Fund, and the remainder paid over to the State and private Stockholders. The following shows the profit to the State the last year, on its interest in the Bank:

Dividend on its Chartered Capital, $880,000		$ 74,400 00
Dividend on its Surplus Revenue capital		34,163 50
Dividend on its Internal Improvement capital		2,000 00
		$110,563 50
Deduct 5 per cent. interest on $880,000 State bonds	$44,000	
Deduct 6 per cent. interest on $294,000	17,640	
Deduct 6 per cent. interest on $20,000	1,200	62,840 00
Profit to the State, (except charge for exchange, not yet ascertained)		$ 47,723 50

The clear profits to the State by the Bank, since the commencement of operations, may be estimated at $350,000—after making a liberal allowance from the Surplus Fund, for future losses. The dividends in the branches have been made or withheld in view of the profits they had made, and the safety of their condition. The necessity of paying the interest on the State Bonds, by which the capital for the State was furnished, and the importance of keeping the private stock in the hands of persons who expect regular dividends, are deemed a sufficient justification for continuing to make dividends in the present state of the currency and the country.

The following classes of business men were indebted to the Bank in March and April last, for accommodations, to wit:

Exporters of Produce	$1,111,747
Merchants	982,602
Farmers	500,431
Manufacturers and Mechanics	486,715
All others	874,999

If the merchants should appear to be accommodated out of proportion, it should be recollected that they have been frequently endorsers, and that they, as well as many others, for the purpose of sustaining their credit in Bank, have been forced to pay the debts of their principals, or assume them by their own direct liability.

Within three months before the last examination, there had been discounted in new paper, $787,030, and it was estimated that a still larger amount would be discounted the ensuing three months. During the present year, the money paid out of the Bank on new discounts, will exceed $3,000,000. Whether this or a larger amount of currency shall be annually supplied by the Bank, must depend on the ability of its customers to pay, and the continued confidence of the public in its management.

The circulation of the Bank, October 31, 1840, was $2,835,902. It was at the highest point, during the year, on the 31st of March, 1841, when it amounted to $3,187,091. Afterwards it was gradually reduced until the 31st October, when it was $2,940,414. At this time, and for two years past, the industry and enterprise of the country have little encouragement to engage in any operations but such as cannot be avoided. No one undertakes new business, or invests capital, but with much hesitation and reluctance. Whether the currency hereafter is to be specie only, or mixed with paper founded on a specie basis—whether specie payments are to be generally resumed at an early day, or whether there is to be such delay and neglect of preparation that a resumption cannot be sustained when attempted—whether the Banks are to be a *bye word* between the parties, and abused right or wrong, or whether they are to be punished for misconduct, and sustained in the performance of duty, are matters that unfortunately come up for discussion when such opposite interests and excited feelings disturb the community, that there is little hope of a speedy and amicable adjustment of the difficulties that embarrass the country. While this uncertainty, as to what is to be currency, prevails, and while reasonable calculations cannot be made of the future, the open field and clear sky for enterprise and business cannot be expected. The embarrassments of the people of this State have not been, as many suppose materially influenced by the mere diminution of the currency. The circulation of the Bank has varied only about ten per cent. within the last two years, and the expansion has arisen mainly from the large produce operations in the Spring, and the contraction, by the preparation in the Fall to import Merchandise.

Whatever originated the present difficulties—and many things have contributed to produce them—there are two principal causes, now efficiently active, which a prudent and correct course of proceedings will aid much to remove. One of these, is the *general want of confidence in the stability of the currency, property and business of the country;*—the other, *the neglect to provide that the products and industry of the State shall meet the importations from abroad.*

When the currency is uncertain and fluctuating, it passes slowly and heavily, questioned at every turn, and the best part of it kept back whenever it can be, so that it performs scarcely half the duties for which it was intended. During the past year, most of the Banks in the Western, Middle and Southern States, have suspended specie payments. Ten of the branches of the State Bank also, it is understood, have not uniformly paid specie on their notes when demanded, and probably the three others would have refused if their notes had been presented in large amounts from abroad. There have been however no protests of the notes of the Bank; no demands which have not been arranged; no payment of the twelve per cent. penalty, except for very short periods; and no complaint to the State Board by any one considering himself aggrieved in this respect by the branches. The community have thus far fully sustained the officers of the Bank in making choice of the unavoidable evils before them. On the one hand, there was to be feared, first the withdrawal of the specie mostly by Brokers, who are usually foremost in such matters; second, the inability to discount in aid of the exportation of produce, and other operations, by which $3,000,000 would have been kept from going out among the people: third, a more rapid collection of debts to the Bank than its customers had anticipated, by which many sacrifices must have been made: and fourth, the closing up the whole business of the concern, for the profits, after paying the expenses, would be no object, while the surrounding Banks were in a state of suspension. It is much to be regretted that all these difficulties still remain in full force, and no advantage of any moment can accrue to any one by the resumption of specie payments by this Bank, except in concert with other institutions.

There is no wish on the part of the Bank to deny or conceal any of the evils or difficulties to which a state of suspension of specie payments subjects the country. The loss on the paper of the Bank is a matter of small moment, for perhaps there is not one case in a thousand where it does not, in making payments, answer the full value of specie; but the danger from other Banks, or individuals, issuing paper not intended to be redeemed: the demoralizing influence of the evasion of just debts when they might be paid: the feeling of uncertainty as to the currency, which paralizes industry and enterprise: and the decrease of investments in active business, and their increase in brokerage, are evils of such magnitude that they should only be endured temporarily, and to avoid still greater evils.

The Bank, with the exception of one branch, South Bend, has progressed steadily in the improvement of its condition during the past year. The debt due from the State, on which neither principal nor interest has been paid for two years, is a subject of more embarrassment than any other at this time. In one of the branches, Lafayette, it is in effect, the withdrawal of three-fourths of the capital; and three other branches, Evansville, Lawrenceburgh, and Indianapolis, whose State Debt and State Bonds amount to near one half their aggregate capital, cannot with safety make new discounts, except of prompt notes and bills of exchange, to run only short periods. It will be recollected that the first year there was no effort to arrange this debt in any way, and that last year, no mode of paying it was proposed which would not have occasioned a loss to the Bank of from one-fourth to one-half the amount.

The debt of the State to the Bank, exclusive of $294,000 State Bonds, is now nearly $700,000. If this sum were paid, it would be in the power of the Bank, by its means on hand, and the payments on bills and notes, to take up its whole circulation in sixty days. But while this debt is unpaid, one of the branches named, cannot continue specie payments without assistance from the others, four of which could give none, if they did not require it, and the most of the others would find, in the wants of their districts respectively, a pressing demand for all they could do. This state of things is submitted to the Legislature, with the anxious hope, that at an early day, provision will be made for paying the debt due from the State to the Bank.[2]

The general resumption of specie payments, under favorable circumstances, would, with prudent management, do much to restore public confidence. The re-investment of capital in lands, manufactures and other business, would commence, which looking for moderate success and gradual improvement could scarcely fail to obtain them. The Brokers' business, now absorbing much both of the capital and profits of the country, would be measurably abandoned, and though prices of property and labor should be low, it would be much better than that no one as at present should be willing to buy the one or employ the other.

More fear is in general entertained of the evils to arise from a reduced circulation than experience will justify. The efficiency and usefulness of currency depends more upon its character than its amount. That, which this country now has, is unequal, inconvenient and suspected, and to increase its amount would do little to encourage new enterprises, though it might facilitate the payment of debts. The currency of France, consisting of twelve parts of gold and silver to one of paper is more than double in proportion to the annual products of industry [than] that of England, where a third of the currency is specie and four times greater in proportion to the annual products of industry, than that of any part of the United States. The currency of New England, nine-tenths of which is paper at par with specie, very little exceeds one-half the proportion in other States, or one-eighth the proportion in France, and yet the fluctuation is much less than in England and France, where there is much specie, or in States where, by a suspension of specie payments, there is a paper currency alone.

From undoubted facts of this character, may it not be fairly deduced that a paper currency, based on specie and equal to it, is the cheapest, most uniform and useful circulation for the business of a country? The precious metals pass slowly from hand to hand, they are hoarded from fear or caprice, transported from country to country as hopes of profit are presented, and no concert of interest or feeling can be had to prevent the drought or deluge of currency with which one place after another would be visited.

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[2] See Governor Bigger's remarks on the debt due the bank and the Assembly's action thereon, below, 330-33n.

Next to the immediate resumption of specie payments, if it can be had in concert with other Banks, with which intercourse is maintained, is the open and undisguised preparation to effect the object at an early day. Candor on the part of Banks in this respect is required, and a full understanding of their condition and course of business should be had by the public to insure their confidence. The first day of August next was named at the last meeting of the Directors of the State Bank for the resumption of specie payments, and other Banks in the neighboring States have been notified and requested to co-operate. If it shall be commenced at an earlier day, this Bank will unite in the effort.[3]

In the mean time, the Branches will reduce their circulation by taking it up from the commercial cities out of the State, where it has collected in large amounts. Its circulation in this State will be rather increased than diminished. $412,000 of the small notes have been sent to the Branches to be issued, and probably about three-fourths of them are now in circulation. These, with such other small notes as shall be needed, can be prepared even to the amount authorized by the last Legislature. They have, in most parts of the State, expelled the small notes of other States, and they will form a basis of home circulation for the Bank of more value than was anticipated.[4]

In addition to the restoration of certainty and confidence in the currency so desirable, that it is hoped all concerned will spare no pains to effect the object, there must be more attention than heretofore to the balance of trade, which has been for years so heavily against the State. In a new country, where much of the industry is employed for permanent objects, and not on those immediately productive, and where facilities of intercourse are inferior to those of other countries, there is much difficulty in pursuing the proper course, and much danger from the neglect of it. When the balance of trade is not provided for in the course of business, the overplus must be paid in such currency as the creditor will receive, and a diminished amount remains for business at home. The inconveniences arising by a sudden change from an abundant to a limited circulation must be felt severely in agricultural countries where the want cannot easily be supplied and where more currency is required in proportion to the business done than in commercial places. As the paper of the Bank has been freely received for distant debts, an undue proportion of it must have frequently collected in the commercial cities on our borders. It is understood that from $400,000 to $500,000 of Indiana Bank paper might be collected at one of these cities in a few days, and probably an equal amount at the other.

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[3] See Governor Bigger's remarks on resumption and Assembly action thereon, below, 331-34; also report of House Committee, below, 374-82.

[4] The preceding Assembly had authorized the Bank to issue and circulate notes of less than five dollar denomination to an amount not to exceed one million dollars. *Laws of Indiana,* 1840-41 (general), p. 204. The semiweekly Indianapolis *Indiana Journal,* April 23, 1841, carried a notice that the State Bank had commenced issuing small notes on the 20th, in denominations of $1.00 and $2.00. They were described as handsomely engraved and neatly printed on superior paper. Detailed descriptions of the vignettes shown on each denomination are given.

The amount circulating abroad is no doubt much larger at this time than usual, from the much greater reduction of their circulation.

. . . .

In the annual reports, heretofore made on behalf of the State Bank, it has not been thought necessary to detail particularly the difficulties that have arisen in the branches. Imprudence, carelessness, and conduct deserving severe censure have occurred in several of them, in reference to which the State Board have limited discounts and business—withheld dividends—and had such other proceedings as the interests of the State and the safety of the Institution appeared to require.

In performing the duties assigned to them, the Directors of the State Bank have arraigned and censured the branch boards for misconduct, perhaps, when none was intended: they have required payments of stockholders who only subscribed stock for the purpose of obtaining large loans: they have fearlessly sought the safety and prosperity of the Institution, despite of the clamor of those who wish to borrow money and not pay it: and they have not interfered in that part of the management of the concern which is by the Charter left to the control of the Branch Directors. That prejudice and selfishness not knowing what the State Board has done nor what it is not permitted to do, should suffer all these matters to pass over in quiet was not to be expected. When they are examined, as in these times they should be thoroughly, it will appear, with the exceptions before alluded to, and which as they occurred were made known to committees of the Legislature, that the Institution as a whole has been well managed.—Improper conduct has been or will be corrected, and a majority of the branches, from the commencement of their operations, have conducted them with as much prudence, propriety and public spirit as can be found in any mere business association, and no act of the State Board, the body representing the whole concern, can be pointed to which will, in the slightest degree, involve the integrity of the Institution.[5]

As soon as returns are received from all the branches, setting forth their condition on the day specified in the Charter, a specific report in reference to the same will be made.[6] In the mean time there is herewith submitted a statement of the condition of the Bank on the 31st October.[7]

STATE BANK, December 1, 1841 S. MERRILL

State Board of Internal Improvement: Annual Report[1]

OFFICE OF BOARD INTERNAL IMPROVEMENT
INDIANAPOLIS, Dec. 6, 1841

TO THE GENERAL ASSEMBLY OF THE STATE OF INDIANA:

The charge of the public works of the State, during the past season, having devolved upon the undersigned, the duty is incum-

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[5] See Governor Bigger's remarks on conduct of the Bank, below, 330-34.

[6] See report of the State Bank and its branches, as of November 20, 1841, in *Documentary Journal,* 1841-42, Senate Doc. No. 5 (pp. 97-140). The Assembly passed a joint resolution appointing Nathan B. Palmer agent to examine the Bank and its branches and report to the next Assembly. *Laws of Indiana,* 1841-42 (general), p. 174. Palmer's report is given below, 527-59.

[7] Not reprinted here.

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[1] *Documentary Journal,* 1841-42, Senate Doc. No. 2.

bent upon them of submitting to the General Assembly a brief report in relation to this branch of the public service.

Philip Mason,[2] having been appointed by the Governor as a member of the Board, in the place of N. Noble, appointed Fund Commissioner,[3] the charge was assigned to him as acting commissioner of the White Water, the Central and Cross Cut Canals —the Madison and Indianapolis Rail Road, the New Albany and Vincennes Road, the Jeffersonville and Crawfordsville Road, and the Indianapolis and Lafayette Road.

To J. L. Williams, was assigned the immediate charge of the Wabash and Erie Canal, from the State Line to Terre Haute, the Erie and Michigan Canal, and the improvement of the Wabash Rapids: together with the supervision of the sale of Wabash and Erie Canal Lands, and the collection of interest thereon, &c.

For a statement more in detail of the operations on each Line, its present condition, the payments made, &c., the Board beg leave to refer to the report of the Acting Commissioners, hereto appended.[4] The Board have had no means within their control which would enable them to make any progress in the completion of the Public Works. The leasing and bringing into use the water power, the unavoidable repairs on the several works, and their more effectual protection at exposed points, for the purpose of preventing breaches, or dilapidation in other forms: together with the adjustment of claims for damage, or for labor heretofore performed—for all which purposes the Treasury Note issue is applicable—have constituted the chief items of expenditure for which any means were provided by law; and to these subjects the attention of the Board has been chiefly directed.[5]

The condition of Wabash and Erie Canal, the amount of land sold, &c., are fully set forth in the accompanying report of Mr.

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[2] Philip Mason had served as representative from Fayette County in 1835-36, 1838-39, and 1840-41.

[3] See above, 142n.

[4] These detailed reports by Mason and Williams on the respective works assigned to each are printed in the *Documentary Journal* but have not been reproduced here.

[5] See below for Williams' and Mason's defense of their expenditures in keeping the various works in repair and other actions, 366-73.

Williams. The Board have received assurances which justify the hope that the State of Ohio will afford to our citizens a perfect outlet to Lake Erie, by the 1st of August next, and our boats will probably be able to reach Defiance by the 1st of May.

In the month of May last, petitions, numerously signed by the citizens of Fountain, Park and Vigo Counties, requesting a final location of the canal from Lafayette to Terre Haute, were presented to his Excellency, the Governor, by whom they were referred to this Board. After considering the subject with the deference due to the respectable source from which it emanated, and yet with that caution which is rendered necessary by the present condition of our affairs, the following order was adopted:

"Whereas, the Board have received, through his Excellency the Governor, several petitions numerously signed by citizens of the Wabash Valley, requesting a final location of the Wabash and Erie Canal to Terre Haute, the present season: And, whereas, the Board participate fully in the desire to farther the interests of this important work by every means within their control; but under present enactments, find themselves provided with no funds whatever, applicable to the proposed survey: Therefore, it is

"Ordered, That said location, with a careful estimate of the cost, be made during the present season under the authority of the Board: *provided,* the expenses of the survey, as it progresses, be defrayed by the citizens, or by the Counties interested therein, and that the acting Commissioner on that line be authorized to appoint an Engineer, with the necessary assistants, for this purpose, who shall commence the survey so soon as an assurance be given, satisfactory to said Engineer and his corps, as to the payment of their compensation and expenses."

The citizens and county authorities interested, having with great liberality contributed the necessary funds, Mr. Wm. J. Ball was appointed to make the survey, whose report and estimate of cost, when received, will be communicated to the Legislature.[6]

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[6] The Assembly accepted the plan submitted by Ball for location of the canal from the mouth of the Tippecanoe to Terre Haute and provided for the completion of this portion. The commissioner having charge of the canal (to be elected by the Assembly) was to let the con-

The contractors for the Steamboat Lock in the Wabash River, at the Delphi dam, have continued to progress with their work; and it is now anticipated that boats may pass this lock early next Spring. There is now due the contractors about $25,000, for which drafts have been issued, as evidences of the indebtedness of the State. The law authorizing the exchange of smaller certificates for these drafts, applies only to those issued for work done previous to the passage of that Act. The board would respectfully recommend that the provisions of that law be extended to the work done on this Lock during the past season, making these drafts receivable for canal lands, as before. This work, it will be recollected, has been progressing under a contract entered into some three years ago, which the contractor refused to surrender.[7]

Two of the contractors for the work near Covington, which was let in 1838, as is known, did not relinquish their contracts. During the past season a considerable amount of work has been

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tract for the work on a part of the canal by June 1, 1842, at a cost not to exceed one half the estimated value of the land selected for the construction. Payment for construction was to be by canal scrip to be issued by the treasurer. The Assembly also provided for sale of a portion of the canal lands belonging to this sector. Contracts for the remainder of the canal were to be let in 1843. *Laws of Indiana*, 1841-42 (general), pp. 24-27.

The canal commissioner was to be elected by the Assembly for a term of two years. He was to superintend and control the canal with the aid of an engineer and assistant engineer. *Ibid.*, 27-28. William J. Ball was elected but refused to serve. See below, 326n.

[7] The Assembly passed an act amending the 1841 act for payment of contractors on the Wabash and Erie Canal (see above, 100-1n), providing that "the certificated drafts, or evidences of debt issued by the board of Internal Improvement, or acting commissioner, in favor of contractors for work done, or being done, on the Wabash and Erie canal, east of the Tippecanoe river, shall hereafter be receivable in payment for principal and interest due on canal lands, sold since January, 1840, east of Tippecanoe river."

It also provided that "it shall be the duty of the said board, or the acting commissioners of the said canal, upon the application of any holder of said certificates, drafts or other evidences of debts to give in exchange for any of the same, any number of certificates of smaller amounts. . . ." *Ibid.*, 33.

performed on these sections, and is unpaid for, but the exact amount is not known to the Board.

In all cases where the contractor retains his contract heretofore made, the Board have had no power over the subject.

By the Report of Mr. Mason, it will be seen that a large sum has been paid for repairs on the Cross Cut Canal. This expense was necessary to secure the dam across Eel River from very great injury, if not entire loss. The Board have regretted the necessity of such expenses on works which are unfinished, but they considered it their duty, under the laws, to preserve all such structures as this from entire dilapidation.

In the last annual report, it was stated that the contractors on the Madison and Indianapolis Rail Road had refused to relinquish their contracts, but continued their operations, relying for payment upon an arrangement between them and a Company of individuals at Madison, who had previously purchased of the Fund Commissioners, the Bonds of the State, authorized by the special appropriation: and the Company, up to the date of that report, had paid to the contractors the sum of $50,036.[8]

This arrangement for carrying on the work to the extent of the $400,000 appropriation, having been recognized by the Legislature, and an act having been passed providing for the prosecution of the Road, and making a further appropriation of the Iron for the track as far as Edinburg:[9] the contractors continued their operations during the last winter and summer, and the grading and bridging is now completed to that place, with the exception of five sections of earth work, and the superstructure of three bridges, to finish which will require a further sum of about $40,000.

The whole amount of work performed on the road of every description, up to the 31st Oct., which by law is chargeable to the special appropriation of $400,000, including the amount due J. H. Hendricks & Son, is $257,090—leaving a balance of the appropriation of $142,910. This balance will finish the grading to Edinburg, and lay down the track as far as the Iron appropriated at the last Session would extend, and leave still a surplus of about $20,000.

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[8] See above, 98-100.

[9] See above, 99n.

The track on the inclined plane at Madison as well as from Vernon to Griffith's, in all a distance of eight miles, has been laid during the past season—making the total length of road now in operation, 28½ miles. The iron rails with much of the timber, had been delivered for some time previous, so that the cost of this extension of the track is very small in comparison with the advantages. The opening of the road from the top of the hill at Madison to the steam-boat landing, is an improvement which will have an important influence on the future business of the road.[10] Heretofore the cost of conveyance by wagons from Madison to the depot at the head of the plane, has been nearly one-half the cost from that point to Vernon by Rail Road. Merchants in the interior urged a further objection to the Rail Road route, in the transportation of their goods, on account of the additional change of vehicle which took place at the head of the plane. This objection exists no longer, and this change with the extension of the road at the north end must add very materially to the transportation of merchandise and produce during the next year. The transportation of lumber, firewood and other bulky products of the back country to Madison which has heretofore been prevented by the difficulties at the hill, will now form a considerable item of business. The drayage up this hill has imposed a heavy tax upon the back country.

However much the Board might have deprecated the original undertaking of a work of such magnitude as the excavation of this plane, which has cost about $275,000 they could not hesitate as to the propriety of rendering this large expenditure of some public utility as speedily as possible.

This plane is 7100 feet in length, and has an inclination of six feet in each 100 feet. The locomotive Engine now in use on the road—an ordinary ten tun Engine, constructed by Baldwin, Vail & Huffty, of Philadelphia, has passed up and down the plane with safety, drawing up at one time seventy-five passengers, at another time, by attaching two Locomotives, 200 persons were drawn up. The time required to ascend the plane has been about seven minutes, which is at the rate of ten miles per hour. As a regular business, however, taking all kinds of weather, the inclination is probably too great for an Engine designed for ordinary grades, and, for the time being, horse power will be used, according to the original design. Messrs. Baldwin & Co. have proposed to construct an Engine adapted to this grade, which will draw up the plane fifteen tuns of freight, agreeing to insure its regular performance. The Board would recommend the acceptance of this offer.

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[10] The Madison *Courier,* November 6, 1841, reported that the locomotive came down the inclined plane for the first time on the morning of November 3. After running along the Ohio River to the principal wharfs of the city, it returned to the plane, which it ascended with ease, and arrived at the depot in a little more than eleven minutes. The cars drawn by the locomotive carried between eighty and one hundred passengers, including the former governor, Noah Noble.

. . . .

The subject of contractors' claims for extra allowance, will doubtless occupy the attention of the Legislature for some time to come, and the manner of adjusting them has become a question of some importance. The object of all must be to render equal and exact justice to those who think they are aggrieved. To frame a general law which will secure this object, and yet guard the State from the burthen of large and unjust allowances, of which she must always be in danger from the greater zeal and activity of individual interests, is a question of difficulty. The law of last Session was adopted by the Legislature as the most suitable general provision.[11] The proceedings under it proves it to be an expensive remedy, and without some modification, it may impose unjust expenditures upon the people of the State. Would it not be more equitable to provide that the Board of Engineers, who shall revise the estimates, be appointed by the Governor? This would accord better with the usage in public works. In the expenditure of the millions on public works, by the various states, the umpire in the settlement of the contracts, has uniformly been appointed by the State authorities; and the Engineer, to whom is thus delegated the high responsibilities of an umpire, must from the very nature of his profession, consider himself as much the guardian of the contractors' rights, as of the interests of the State. And if he suffer his sympathies to have any influence, they are sure to be with the contractor, whose position in a controversy of this kind, is viewed as that of the weaker party. By this change in the appointing power, the cost of these investigations might be brought more within the control of the State authorities. The law might be so modified as to throw the whole burthen of costs upon the State. This would seem to be right. Any other course might operate as a denial of justice to the poor man.[12]

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[11] The act provided for a board of three competent, distinterested engineers, one selected by the Board of Internal Improvement, one by the contractor or contractors making the claim, and a third by the two thus selected, to measure, estimate, and decide the case and give copies of their decision to the Board of Internal Improvement and the contractor making the claim. Provision was also made for refunding by contractors who had been overpaid. *Laws of Indiana,* 1840-41 (general), pp. 206-7.

. . . .

The Board have made settlement with Amos Clark, Superintendent of the Southern division Central Canal, and John Frazer, Superintendent on the New Albany and Vincennes Road, in conformity to the act of last winter, for the particulars of which, see the report of P. Mason, before mentioned.

The laws in relation to the organization of the Board, as well as in regard to other matters connected with the public works, have undergone so many changes, that they are now in a confused state: and the duties of the public officers are not well defined. The powers and duties of the Board of Public Works, be it organized as it may, should be more clearly specified than they now are.[13]

A tabular statement has been prepared and is hereto appended, and marked A,[14] which exhibits at one view the total expenditure on the public works of the State, under all the various heads, up to this date. This table has been made out from the accounts and vouchers in the Auditor's office, up to the 30th October 1840: to which has been added the expenditure since, as nearly as can now be ascertained.

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[12] No change was made in the law for settlement of suspended claims at this session.

[13] The Board of Internal Improvement and the offices of Fund Commissioner and chief engineer were abolished by Sec. 65 of the act of January 28, 1842, which provided for the continuation of the public works by private companies. *Laws of Indiana,* 1841-42 (general), p. 18. See below, 326n-27n.

[14] In *Documentary Journal,* but not reprinted here.

This Report was not placed in the hands of the Printer at as early a day as required by law. The sickness of one of the members of the Board, which prevented him from reaching the seat of Government until the 3d instant, it is hoped will be viewed as a sufficient excuse.

Respectfully submitted,

PHILIP MASON,
J. L. WILLIAMS

Bigger: Message to the General Assembly[1]

[December 7, 1841]

GENTLEMEN OF THE SENATE AND HOUSE OF REPRESENTATIVES:

In meeting together to consult for the general good, we are led to review the past, even while the mind is directed to the consideration of the future. Although the year now drawing to a close has produced no amelioration of the causes which are distracting the business, trade and commerce of the country, the bounties which have been showered upon us by a beneficent Providence, call for the most lively expressions of gratitude to Him, who is the source of every blessing. The labors of the husbandman have been crowned with a rich abundance of the fruits of the earth. With some local exceptions we have enjoyed a year of more than usual health. The storm of war which lowered upon our horizon has passed away, and the blessings of peace are continued to our common country. Liberal principles, sound morality and pure religion have exercised their restraining influence upon the community, and we have been spared the pain of witnessing those infractions of law and good order within our State so dangerous to our institutions, and subversive of the fundamental principles of our government.

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[1] *Senate Journal,* 1841-42, pp. 12-28.

You have met under peculiarly trying circumstances. Since the adjournment of the last legislature we have reached a crisis in our affairs, dreaded indeed by many, but which it was hoped might be avoided. Indiana, until the present year, had succeeded in paying the interest on her public debt, and at the last session ample provision was supposed to have been made for its payment this year, but circumstances beyond the control of the agents of the State, have rendered it impossible to procure the necessary funds, and we are compelled to admit the unwelcome truth, that the credit of the State has not been sustained.[2]

It now devolves upon the legislature to devise and adopt measures, the best adapted to the exigencies of our situation. To do this, it becomes necessary to look over the whole ground—to examine our exact situation with the strictest scrutiny, and make the most correct estimate we possibly can, of the liabilities and means and resources of the State. In order that the whole subject may be fully presented and understood, I shall in the first place consider somewhat in detail, the commencement and progress of those measures, the unfortunate issue of which, has involved the State in her present difficulties.

In the year 1827, the State of Indiana obtained from the General Government a grant of land to aid in the construction of the Wabash and Erie Canal, with a view to connect the Wabash river with Lake Erie. A portion of this grant was surrendered to the State of Ohio, on the condition that she would construct the Canal from the boundary of Indiana to the Lake. This canal has been completed, ready for navigation from Lafayette on the Wabash, to the eastern line of the State. This work is not generally regarded as forming a part of the general system of Internal Improvements, in the prosecution of which the State subsequently engaged in the year 1836. It is now understood that Ohio will complete her portion of the line in 1842, by which an uninterrupted communication will be opened between the Wabash and Lake Erie.

In the month of January 1836, the legislature passed an act to provide for a general system of Internal Improvements, embracing a number of expensive works. The extent and present condition of these works, including the Wabash and Erie Canal, with the total disbursement thereon, up to the present time, with the expenditure under every head, may be briefly summed up as follows:

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[2] See above for reports of the state treasurer and fund commissioner in regard to the failure, 245-47n, 289.

1. The Wabash and Erie Canal from the State line to Tippecanoe, 129¾ miles in length, completed and navigable for the whole distance, at a total expenditure, including payment for every purpose, of $2,041,012. This sum includes the cost of the steam boat lock at the Delphi dam, now nearly finished.
2. The extension of the Wabash and Erie Canal from the mouth of Tippecanoe to Terre Haute, 104½ miles. Total probable cost $1,500,000—amount expended, $408,855. The navigation opened as far down as Lafayette, and a portion of the work performed in the vicinity of Covington.
3. The Cross Cut Canal from Terre Haute to Central Canal, 49 miles in length—estimated cost, $718,672—amount expended, $420,679. No part of the work is navigable.
4. The White Water Canal from Lawrenceburgh to the mouth of Nettle creek, 76½ miles—total estimated cost, $1,675,738—amount expended, $1,099,867. Thirty one miles of this work navigable, extending from the Ohio river to Brookville.
5. The Central Canal from the Wabash and Erie Canal to Indianapolis, including the feeder dam to Muncietown. Total distance, 124¼ miles—total estimated cost, $2,299,853—amount expended, $568,046—eight miles completed, other portions nearly done.
6. Central Canal from Indianapolis to Evansville, on the Ohio river. Length 194 miles—total estimated cost, $3,532,394—amount expended, $831,302—19 miles of which, at the southern end, connecting with the Ohio river, are finished, and 16 miles extending south from Indianapolis, nearly finished.
7. Erie and Michigan Canal, 182¾ miles—estimated cost, $2,624,823—amount expended, $156,324. No part of this work is finished.
8. The Madison and Indianapolis Rail Road—85¾ miles

long—total estimated cost, $2,046,600—amount expended, $1,493,013. Road finished and in operation for about 28¼ miles. Grading very nearly finished on 27¼ miles in addition extending to Edinburgh.

9. Indianapolis and Lafayette Turnpike road—73 miles in length—total estimated cost, $593,737—amount expended, $72,182. The bridging and most of the grading done on 27 miles from Crawfordsville to Lafayette.

10. New Albany and Vincennes Turnpike road—105 miles long—estimated cost, $1,127,295—amount expended, $654,411. Forty-one miles graded and McAdamized, extending from New Albany to Paoli and 27 miles in addition, partly graded.

11. Jeffersonville and Crawfordsville road—164¾ miles long—total estimated cost, without metalling, $952,000, with metalling added, the cost would be $1,651,800—amount expended, $372,733. Forty-five miles partly graded and bridged, extending from Jeffersonville to Salem, and from Greencastle north.

12. Improvement of the Wabash Rapids, undertaken jointly by this State and Illinois, one half of the estimated cost of which is $102,500—amount expended by Indiana, $9,539.

There has also been paid for the general contingent expenses of the Board of Internal Improvements, for the purchase of instruments, &c., chargeable alike to all the public works, the sum of $36,564 41.

By summing up the foregoing statement, it will be seen that the whole length is 1289 miles, 281 miles of which have been completed—aggregate estimated cost of all the works, $19,914,424—amount expended for all purposes, up to this date, $8,164,528 21.

The above estimates of the cost of the entire lines, are based on the cost of the work already done; from which it appears it would require to complete the whole of the above works, $11,750,000. At the present reduced prices, it might take less, were it not for the loss and dilapidation on the unfinished portions of the works.*

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* The sum requisite to complete any particular work, may be seen by subtracting the amount expended from the estimated cost. Appended to the Message, is a tabular statement (A) prepared from the most authentic

Following in immediate connection with this view of our public works, is the amount of the whole public debt of the state. Including all our liabilities, this may be estimated at $15,088,146. There is some difficulty in ascertaining the exact amount of a part of the items, but upon referring to the most accurate sources of information, it is believed the following statement will be found substantially correct:—

1.	For the Wabash and Erie Canal	$1,727,000
2.	For the establishment of the State Bank	$1,390,000
3.	For the enlargement of the capital of said Bank.	$1,000,000
4.	Advanced to the Bank in anticipation of the fourth instalment of the Surplus Revenue	294,000
5.	For bonds advanced to the Lawrenceburgh and Indianapolis R. Road Company	221,000
6.	For bonds sold for the Internal Improvement System of 1836	7,050,000
7.	Due the State Bank for advances on the Public Works, including interest	693,146
8.	Amount of Treasury Notes outstanding	1,300,000
9.	For last July instalment of interest	259,000
10.	Hypothecated Bonds sold	404,000
11.	Bonds now hypothecated	665,000
12.	Interest on outstanding Treasury Notes	85,000
		$15,088,146

There has been advanced on the bonds now hypothecated, 145,000 dollars nearly. Should this sum be refunded by the sale of State Bonds, that item will be reduced to the amount of bonds sold to redeem those hypothecated. When the revenue of the year 1841 shall be paid into the treasury, the amount of treasury notes will be reduced perhaps to $850,000.*

vouchers, and sources of information from which the above was extracted, exhibiting the work done and the expenditures, in detail. [The tables referred to by the Governor are printed in the *Senate Journal* but have not been reproduced here.]

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* A table showing fully the several items of the public debt, is hereto appended. See table B. [The table is in the *Senate Journal* but is not reproduced here.]

That part of our liabilities usually called the suspended debt, upon which nothing has been received, in which may be included the Cohen property, consists of the following:—

1.	Due from the Morris Canal and Banking Company, for Bonds sold to increase the stock of the State Bank, nearly	$1,000,000
2.	From the same, for Bonds sold for Internal Improvement purposes	1,146,000
3.	From other Companies	894,000
4.	Cost of Cohen property	341,000
	Total amount of the Suspended Debt	$3,381,000

By a joint resolution, "in relation to money due in eastern cities and states, for state bonds disposed of, approved February 24, 1840," it was made the duty of the Fund Commissioners to require collateral security to double the amount of the bonds sold to the Morris Canal and Banking Company, to raise money to increase the capital stock of the State Bank, or require payment of said Bonds, or the return thereof.[3] By this transfer to the Canal Fund Commissioners, the management of this debt was taken from the officers of the Bank, and it has since then become blended with the debts contracted on account of the general Internal Improvement system.

No correct opinion can be formed of the probable amount which will be realized from the suspended debt, nor of the value of the collateral securities taken at different times for its payment; the securities are as various as can be well imagined, and many of them are doubtless scarcely worth the paper employed in conveying them to the state. A part of the debt may be recovered, but how much, or when, are questions it is impossible to answer. One thing, however, is pretty certain, that very little of it can be collected in time to be used for any immediate purpose.

The public debt of the state may be arranged under three different heads.

[3] *Laws of Indiana,* 1839-40 (general), pp. 83-84.

First, That part upon which the interest can be paid without a resort to taxation. This includes the following loans, viz.

1st.	Original loans to create bank stock	$1,390,000
2d.	Advanced to the Bank in anticipation of the 4th instalment of the Surplus Revenue	294,000
3d.	Advanced to the Lawrenceburgh and Indianapolis Rail-road Company	221,000
	Total	$1,905,000

Second, The Treasury Notes remaining in circulation. The whole amount issued up to the first of November, 1840, was 1,450,000 dollars. The amount which has not been returned to the treasury is estimated at 1,300,000 dollars. These bear interest from their date until redeemed, at the rate of six per cent. per annum.

Third, This part of the public debt consists of all those liabilities of every description exclusive of the treasury notes upon which interest is demandable, and for the payment of which no adequate means are at present provided.

These may be stated as follows:—

1.	Bonds sold for the Wabash and Erie Canal	$1,727,000
2.	Bonds disposed of for Internal Improvement purposes	7,050,000
3.	Principal due the State Bank for advances on the public works	641,500
4.	Hypothecated Bonds sold and unsold	*1,069,000
5.	For Bonds sold to the Morris Canal and Banking Company, to increase the capital stock of the State Bank, nearly	1,000,000
	Total	$11,487,500

This sum bears five per cent. interest, except 100,000 dollars of the Wabash and Erie Canal loan, and the amount advanced on the public works, by the bank, which bear six per cent.; and about 30,000 dollars of seven per cent. bonds recently disposed of in payment of interest. The annual interest on the above sum may be set down at 582,440 dollars. If we add to this the amount to be paid for exchanges, commission, expenses, &c. the least amount necessary to discharge the interest on the above part of the public debt, will vary but little from 615,000 dollars annually.

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*The unsold ($665,000,) will not draw interest until sold under the hypothecation.

To pay this amount of interest, the state possesses the following means, which may be relied on with certainty:

1st, The interest on the proceeds of sales of the Wabash and Erie Canal	$24,000
2d. Interest from Surplus Revenue	$32,000
Total	$56,000

Which, being deducted from the preceding sum of $615,000 leaves the annual interest due under the third head, at the sum of $559,000.

The proceeds from tolls, water-rents, &c on the public works, will be absorbed in expenses and repairs, for some time. And all other extraordinary sources of revenue brought into the estimates usually made, are too uncertain to be relied upon at present. But I think it may be calculated safely that in five years, should Ohio complete her portion of the work as soon as expected, the tolls and rents derived from the Wabash and Erie Canal, when added to the annual interest received from the sale of canal lands, will be sufficient to pay the interest on the loan for its construction.

It will be discovered from the foregoing statements that we have a two-fold debt pressing heavily upon us, from which immediate relief cannot be expected, namely, the sum actually expended on the system of Internal Improvements adopted in 1836, comprising works which are not in a situation to yield any profit, and also the suspended debt upon which the accruing interest is to be paid, although the State has not received any part of the principal.

It is due to ourselves in this state of our affairs, to examine into some of the prominent causes which have produced the present embarrassments. The first of these is doubtless to be found in the number of large and expensive works, embraced in the system of Internal Improvements, and their simultaneous prosecution. Also the unexpected increase in the prices of provisions, labor and materials was such that a sum much greater than the original estimates was required for the construction of the public works. Two great errors were committed in the progress of the system. The first was paying the most of the interest out of the money borrowed. This subjected the State to the payment of compound interest, and the people not feeling the pressure of taxes to discharge the interest, naturally became inattentive to the policy which was pursued. Had the legislature commenced by levying taxes to defray the interest as it accrued, its amount would have been a certain index to the sums expended on the works. This of itself would have done much to check extravagant expenditures. The second error was selling bonds on credit. This finally led to the most disastrous consequences, and it constitutes a prominent cause of the failure of the State, to progress with the general system of improvements, that those companies to whom bonds had been sold on time did not comply with their contracts. During the Summer of 1839, several very important works were rapidly progressing to completion. Loans had been negotiated with the Morris Canal and Banking Company, and other Companies of less note, amounting to nearly two millions of dollars, and generally, the proceeds were to be paid to the State in monthly instalments, so as to enable the canal commissioners to meet their engagements, with contractors on the public works. Every thing seemed to be moving forward as prosperously as could be desired until the month of August, 1839, when these Companies became unable to fulfill their contracts. As a matter of course operations on the public works ceased immediately, except on the Madison and Indianapolis Rail Road, for which a special loan had been made with a company in Madison. In a very short time the situation of the country became such, that money to progress with the works could not be obtained from any quarter.

But the enumeration of the causes which produced our present embarrassements does not stop here, particularly as relates to the nonpayment of interest. The legislature at the last session made provision for the payment of interest, and the redemption of Treasury notes by authorizing the sale of bonds, to bear not exceeding seven per cent. interest, and by directing the levy of a tax of forty cents on each hundred dollars of the grand assessment.[4] As is well known, the Fund Commissioner could not dispose of bonds on the terms required by the legislature.[5] Nothing could be realised in the collection of taxes soon enough to meet the July instalment of interest. But this is not all. The act of 1840, authorizing the issue of the Treasury notes, made them receivable for taxes, and it will be found when the revenue of the present year shall have been paid into the Treasury, that most, if not all of it, will be returned in Treasury notes—which by law are required to be destroyed as they are received by the Treasurer of State. And the amount of these notes still in circulation must prevent us, for several years, from deriving any available means from the collection of taxes, with which to liquidate any part of the interest on the State debt.[6] The condition of the suspended debt is such, that although portions of it may be collected, yet we cannot procure it to pay interest as it falls due.

Such is actually our condition, and candor and justice to ourselves, and to our creditors, require us to acknowledge, that we have neither under our control nor in prospect, for some time to come, the means to discharge the interest on the whole of our public debt.

It is true we might by the sale of bonds greatly below their nominal value, manage to meet our liabilities for the present, but owing to the vast depreciation of our bonds, the debt of the State would soon be augmented to a sum so large that it would be impossible under the most favorable circumstances, to sustain its accumulated weight. Such a line of policy must in the end, lead to a failure more disastrous and oppressive in its consequences, than to pause at the present period of our difficulties. Heavy sacrifices to pay interest will add to the existing burdens of the State, without the most remote promise of ultimate relief, although this may not be true in respect of measures, to secure the completion of some of the best works. The sum which it would be necessary to lose in order to pay our interest at the present selling price of our bonds, if properly and prudently applied annually, would do more to relieve the State and calm the fears of judicious creditors, than large and continued sacrifices to meet the interest while permitting the works to decay.

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[4] See above, 118n, and report of the ways and means committee, to the preceding session, above, 222-23n.

[5] See above, 245-47n.

[6] See report of the ways and means committee below, 410.

Nevertheless it becomes us to leave no efforts untried to recover our former position. Indiana possesses an enterprising and a rapidly increasing population. The natural resources of the State as they shall be developed by the industry of her citizens will add continually to her wealth, and this very addition will result in a constant relative diminution of the burdens of the public debt. It is our misfortune that we cannot preserve the faith of the State unimpaired. Still we should not despair of recovering from our difficulties while any means remain within our power with which we can work. Although whatever means available at present, are insufficient to pay all the interest, on our internal improvement debt, yet can we not with these, and such other resources as can be reached, properly and prudently applied, place the State in a situation to pay her debts, and finally redeem her sunken credit. Unless infamy is to be sought in the suicidal measure of repudiating the public debt, and we furthermore adopt the destructive policy of abandoning all the public works comprized in the act of 1836, thus throwing away at a dead loss forever, all that has been expended, the State could not do better than to collect all her scattered means, which can be made available and with a determined effort, endeavour to place some of the most valuable works, in a condition to become profitable.

So far as it can be done consistently with the public good, and the pledged faith of the State, and without granting privileges which may prove detrimental to the future interests of the citizens, the State would do well to secure the assistance of companies, who may be willing to contribute towards the construction of the public works. That companies can be found to embark to any great extent in an enterprize of this character, I do not believe. Nevertheless on some of the lines it is currently understood that associations of individuals can be induced to step forward, and invest funds in the shape of Stock to an amount which will afford efficient assistance in the completion of those works.[7]

Noah Noble, Esq., the Fund Commissioner, has been assidu-

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[7] The Assembly, after considerable debate, passed an act "to provide for the continuation of all or any part of the public works of this State, by private Companies, and for abolishing the Board of Internal Improvements and the offices of Fund Commissioner and Chief Engineer." *Laws of Indiana,* 1841-42 (general), pp. 3-21. By it the way was opened to surrender the various public works to private companies which qualified themselves under the act. The Governor, auditor, and treasurer were constituted a board to negotiate with the companies. By the act the state reserved the privilege, at any time after twenty years, to purchase from a company its entire interest in the works it had taken over by refunding to the company the full amount expended on the work plus 6 per cent less revenue collected thereon.

As its title indicates, the act also abolished the Board of Internal Improvement, the office of Fund Commissioner, and the office of chief engineer as of the last day of February, 1842. It provided for a commissioner of the Wabash and Erie Canal east of Lafayette and for the Erie and Michigan Canal to be elected by the General Assembly at a salary of $1,000 a year, and for an agent of state to be elected by the Assembly at a salary of $1,200 annually plus traveling expenses, to perform duties of the fund commissioner and dispose of the public debt on conditions deemed to be to the best interest of the state. See below, 406n.

The act also provided for the election by the Assembly of agents to superintend the operations of the Madison and Indianapolis Railroad, the Whitewater Canal, and the New Albany-Vincennes Road.

Finally, the act provided that when any company organized under it "should have finished ten miles in a continuous line, [of] the [un] finished portion of said work which such association has undertaken to complete, the finished portion belonging to the State shall be placed under the control of the company" and the state agent in charge thereof should be discharged.

Twenty-two representatives signed a protest against the passage of the bill, nearly all of them being Democrats. *House Journal,* 1841-42, pp. 487-89.

The following commissioners and agents were elected by the Assembly under the provisions of this act: William J. Ball, commissioner of the Wabash and Erie Canal west of the Tippecanoe; Stearns Fisher, commissioner of the Wabash and Erie east of Tippecanoe; Homer Johnson, commissioner on the Madison and Indianapolis Railroad; Philip Mason agent on the Whitewater Canal; and Henry Turner agent on the New Albany and Vincennes Road. Michael G. Bright was elected Agent of State to replace the Fund Commissioner. *Ibid.,* 1841-42, pp. 642-44. Johnson and Ball refused to serve and William J. McClure and James Blair were appointed in their places respectively. Record of Executive Commissions, 1837-1845, in Archives Division, Indiana State Library.

The abolition of the office of Fund Commissioner caused considerable ously engaged through the present year in the duties of his office. Your most earnest attention is invited to his very full report, which will be laid before you.[8] Its magnitude and the variety of

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stir. Charges were thrown out that it was personally aimed as a censure of Noah Noble, elected commissioner by the preceding Assembly, and there were strong statements in his behalf, stressing his past and present service to the state, his integrity, etc. Those speaking in favor of the bill denied that there was any personal intent. Thomas J. Henley, of Clark County, said it aimed only at abolishing one of the worst features of the internal improvement system. What is a fund commissioner? he asked. Then answered his own question. "He is one that takes our bonds, and the mortgages upon every man's farm in the state, and sells them to shavers and speculators . . . or, who exchanges them for soap factories and water lots, canal boats and allegator swamps. . . ."

There was also opposition to the selling of the public works. Fear was expressed that they would fall into the hands of foreign associations with unbounded privileges of flooding the state with irredeemable paper. Pleasant A. Hackleman, a Whig of Rush County, declared that selling the works would create nothing more nor less than the privilege of erecting a real estate bank. Senator Ebenezer M. Chamberlain, a Democrat representing northeastern Indiana counties, opposed the measure as conferring too many rights and too much power upon the companies, thus enchaining Indiana "forever in the fetters of chartered monopolies." See below, 420. Representative Marshall S. Wines, of Allen County, also opposed the bill. See below, 436-39.

After the bill had finally passed the House, there was a great effort to win a vote for reconsideration which failed. Edward A. Hannegan, Democrat of Fountain County, spoke at length in favor of the bill and against reconsideration. "Whigs and Democrats," he asked, "are you prepared to see our beloved State sink into inextricable bankruptcy, rather than see N. Noble dismissed from office in a case too where no inference disgraceful to his character can be justly drawn from such dismissal?" He did not think the bill perfect, but felt the time had come when something had to be done. "Unless something be done, and all too speedily, repudiation . . . will be our only alternative. Then will follow loss of fame, of honor, of credit—of all that is valuable in reputation, to State and individuals. . . ." Indianapolis *Daily State Sentinel,* January 19, 22, 1842.

[8] The report of the Fund Commissioner to the Governor is printed in the *Documentary Journal,* 1841-42, Senate Doc. No. 1 [52 pp.]. For an earlier reference to it, see above, 247n. The first part concerned the problems of selling the state bonds for payment of interest on the internal improvement debt and redemption of treasury notes (see above, 223), and the remainder was his detailed report on the condition of the pledged bonds of the state. Of this he said, "Without more of detail than is usual, this subject of the pledged bonds will not be satisfactorily understood; but as it proved a most disastrous one for the State, it will be necessary to give all the particulars belonging to its history." The troubles that he had apprehended, he said, were fully realized.

topics, relating almost exclusively to the suspended debt, and the collateral securities taken to secure its payment, forbid my attempting any particular statement of its contents. You will perceive from the report that the greater part of the suspended debt is involved in doubt and difficulty. Every fair and impartial mind must receive the impression, that Indiana has been in many instances the victim of preconcerted imposition and fraud. If broken banks were to be resuscitated for dishonest purposes, Indiana Bonds were obtained by the projectors to aid in the enterprise. If clamorous creditors were to be satisfied, it is to be feared that they sometimes lent assistance to their debtors, in cajoling our agents out of the bonds. If heavily operating institutions were involved in extensive speculations under which they must sink, unless a powerful effort were put forth, Indiana bonds were procured at nearly their par value, and thrown upon the money market at reduced prices, to raise the means of meeting a pressing emergency. There is nothing pleasant in arriving at these conclusions, nor in expressing them, but while so much is said in a spirit of reproof, on the subject of Indiana protecting her credit under such a complication of difficulties, we ask to have it remembered, that some of those upon whom we relied for the means of progressing with our public works, have not kept their faith with us. How much soever we may be obnoxious to censure, as a State, for the inconsiderate manner in which the system of Internal Improvements was projected and prosecuted, it is our misfortune, and not through any dishonest intention, that we occupy our present position. Could we collect the whole or even a moiety of the suspended debt, much could be accomplished in sustaining the faith of the State. It was the creation of this debt, which put a stop to the operations on the public works, and its weight is now crushing the energies of those, who are struggling to sustain the credit of Indiana.

As to our own public agents identified with these transactions, so far as any of them have wilfully violated their duty, they should answer therefor to the proper tribunals of the country. You will of course, in justice to all concerned, give this subject a fair and impartial investigation, and if necessary, direct such proceedings as justice and the interests of the State may demand.[9]

In presenting the preceding details, views, and remarks, respecting the condition of the affairs of the State, and of the suspended debt, I have found no pleasure. An imperious sense of duty has alone induced me to adopt the course I have pursued on this occasion. As regards the public works, the State debt and our future prospects, it can subserve no useful purpose to ourselves, nor to our creditors to conceal our real situation. When all know the ground upon which we stand, the wisdom of future measures can be fully appreciated, the object at which our exertions should be aimed, can be more clearly perceived, and fully understanding the premises, the probabilities of a favorable result can be the more readily estimated by ourselves, and those to whom we may look for assistance.

At the session of Congress before the last, the claim of Indiana was confirmed to an additional quantity of land, to be applied to the continuation of the Wabash and Erie Canal, to Terre Haute; and the selections of land made by the State authorities have been recognized and allowed by the General Government.[10] During the past summer, a survey and estimate of the cost of this work was made by an experienced Engineer,[11] the expense of which was defrayed by the citizens of the counties through which the Canal will pass. The surveys and estimates will be laid before you, with the proper explanations. These lands were claimed by the State, and her claim was allowed by Congress for a particular object, and it will devolve on the present legislature to determine, when, and how, it shall be applied to the accomplishment of that object.

Some modification of the laws, respecting the officers employed on the public works, is advisable, with a view to the most rigid economy consistent with the general interests. Agents to superintend the works already finished, and preserve the public property on the unfinished portions of the works, will be requisite. The office of chief Engineer, it is believed, may be dispensed with for the present, as the services of Engineers for operations on any particular line can at all times be procured. In this opinion the chief Engineer and his colleague on the Board of public works, both concur. It is not very material, what particular mode is adopted in reference to these matters, so that the interests of the State are sufficiently protected, and those retained in her service are competent, and under a proper supervision.[12]

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[9] Both the Senate and House conducted investigations of the state agents. See below, 343-47.

[10] See also U. S. *Statutes at Large,* 5 (1835-45) :414.

[11] William J. Ball. See above, 309-10n.

The affairs of the State bank will claim your attention. As exhibited on the 30th of October 1841, the condition of the bank was as follows:[13]

Means:

Discounted notes and bills of exchange	$3,708,158 06
Balances due from, and notes of other banks	417,040 82
Specie	1,127,518 60
Other resources	1,395,492 73
Total	$6,648,210 21

Liabilities.

Notes in circulation	$2,940,414 00	
Individual deposites	251,986 41	
Other liabilities, except those for the stock and its profits	294,784 46	3,487,184 87
Balance being amount of State and individual stock, and undivided profits		$3,161,025 34
		$6,648,210 21

It is to be remembered that in the year 1839 the State used $641,461.00 of the means of the Bank, upon which not even the interest has been paid, and to this amount is restricting the power of loaning to the citizens. As a matter of course, the bank like individuals, feels the pressure of the times, and it has become almost essential to the existence of some of the branches that this debt should be liquidated.[14]

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[12] These matters were covered in the act to provide for the completion of the public works outlined in note 7 above.

[13] See also annual report of the State Bank above, 298-307, and report of the State Bank and branches, as of November 20, 1841, in *Documentary Journal,* 1841-42, Senate Doc. No. 5 (pp. 97-140).

The subject of resuming specie payments has been frequently pressed on the western banks. It is difficult to foresee all the consequences of such a measure, but one thing is certain, that a change in the times for the better, will not be fully established until there has been a return to a specie paying currency, resting on a durable basis. Still the only permanent remedy of the present distress is to be found in the removal of individual indebtedness. Such a result must be produced mainly by the profits arising from the sale of the staple exports of the country, and the interchange and transfer of property, and the surplus productions of labor in the payment of debts; and a well regulated currency, and equal exchanges are most important agents in facilitating that part of these operations, in which money is requisite in buying and selling, or to pay debts at home, and especially abroad.

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[14] The preceding legislature, it will be recalled, had provided for the payment of this debt with state bonds, but the branches of the State Bank had refused to accept the bonds. See above, 105-6n. See also report of the president of the State Bank, above, 303-4, and report of House Committee, below, 379-82.

In the joint resolution passed by this Assembly providing for the resumption of specie payment by the State Bank there was also provision made to pay the internal improvement debt owing the bank by the immediate issuance of two-year treasury notes of $5.00 valuation sufficient to meet the debt. The notes were to bear 5 per cent interest, and from the day interest thereon ceased, a 6 per cent interest. They were to be receivable in payment of any principal or interest due the state except for Wabash and Erie Canal lands; mortgages given to secure loans from the Sinking Fund and the portion of the third instalment of Surplus Revenue not invested in Bank stock were pledged for redemption of the notes. *Laws of Indiana,* 1841-42 (general), pp. 82-83. At the February 1842 session of the State Bank directors, it was recommended that the branches of the Bank receive the treasury notes. Proceedings of the State Bank, Archives Division, Indiana State Library.

Opposition to the state issuing treasury notes was again voiced strongly. Thomas D. Baird, a Whig senator from St. Joseph County, declared this would only add to the state's liabilities. He reiterated the argument that treasury notes were unconstitutional and if issued should not bear interest. The question of payment of the Bank debt was linked with the resumption of specie payment, and in Baird's mind and others, with the survival of the Bank. He expressed his fear that it was the Bank's demise rather than the interests of the people that was the intent of the advocates of immediate resumption. Indianapolis *Indiana Journal,* January 10, 1842.

It must, however, be borne in mind that another crisis is before us, in which every kind of property will be liable to a further depreciation. Just as soon as the banks resume, whether immediately or at some distant day, those banks, unable to withstand the shock, must sink, the most, if not all of them never to rise again. As most of these have a large circulation, a vast amount of paper money depreciated in value, or proving worthless in the hands of the holders, will add to the disasters of the times. At the resumption of specie payments, the paper of all those banks unable to redeem their liabilities in gold and silver, must suffer a depreciation which will render it nearly valueless in the payment of debts, until it shall have undergone the shaving process of the broker's office. One matter which materially effects the present embarrassments, consists in the great declension in prices, the real effect of which is the same as if the entire indebtedness of the country had been increased in a similar proportion to the reduction which has taken place in the value of labor, and every kind of transferable property. A like result may be produced by causing a depreciation of the circulating medium. Whenever the leading banks in the West shall have commenced paying specie, their paper must rise to the specie standard, the amount of their circulation will be rapidly diminished, and for self protection not be thrown out again, until it has been clearly ascertained what banking institutions have survived. The paper which must depreciate, and it may include the Treasury Notes of this State, will remain for the debtor, who will discover most unexpectedly, that his debts have been in effect enlarged by the increased amount of such paper which it will require to pay those debts contracted, at home and abroad, with reference to a more uniform state of the currency. Whatever consequences may spring from a resumption, I fear those will be deceived who urge the measure, under the belief that it will, unaided by other measures, prove an effectual remedy for the distracted condition of the trade and commerce of the country. The origin of the evil lies farther back, than the refusal of the banks to pay specie. The suspension is but one of the many consequences which have flowed from overbanking, overtrading, and from wild and reckless speculation, through which wealth was sought by new and untried schemes, that have brought nothing but ruin and bankruptcy to the projectors.

The time for resumption should be selected with caution, and neither precipitated nor delayed, except for sufficient reasons. It, however, may not be amiss to remark, if many banks of doubtful solvency continue increasing their circulation, which in all probability must prove worthless in the end, the sooner the resumption takes place, the better for the country. When the banks shall undertake to redeem their liabilities in specie, they must be sustained as far as possible, for a general failure in the effort, would but augment the disasters and difficulties, which have perplexed the trade, business and moneyed concerns of the country, for the last few years. In the meantime, if we wish to hasten the approach of better times, we must live cheaper, pay our old debts as fast as our available means will enable us, even if some considerable sacrifice is required, protect the industry of our own citizens against the ruinous competition of low prices and scanty wages in Europe, and secure a sound and equal currency for the trading and commercial operations, of every portion of our common country.[15]

As respects the State Bank of Indiana, it can, no doubt, resume at the earliest day the leading Western Banks will name. Whether it can do so at an earlier period, without permanent injury to the

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[15] See annual report of the State Bank, above, 304-5. The Assembly passed a joint resolution ordering the board of the State Bank to close any branch which should continue to suspend specie payment after June 15, 1842, and if the board failed to act, the Governor was to act. *Laws of Indiana,* 1841-42 (general), pp. 83-84. Restrictions were also placed on rates of exchange to be charged by the branches until resumption took place.

The Assembly also passed a joint resolution, stating that whereas Indiana was taking measures toward the early resumption of specie payments, the states of Ohio, Kentucky, and Illinois were requested to take similar steps; the Governor of Indiana was to forward copies of the resolution to the governors of these states. *Ibid.* (local), 189.

Bank itself, irrespective of the general welfare, is a question concerning which a more correct opinion can be formed, when the condition of the branches shall be exhibited through their annual reports to the legislature. Rash measures in reference to this subject are to be deprecated; for should the Bank be crushed under a premature attempt at resumption, the people will be deprived of a currency which has always been eagerly sought after, and that portion of the State debt invested in bank stock, which has hitherto met its own interest, and yielded a handsome profit besides, to the State, must be added to the debt to pay the interest upon which, no means exist except a resort to direct taxation: I say added to it, because the State has now nearly half her share of the capital drawn out, and the losses, incident to a sudden winding up of the concerns of the bank, would well nigh dissipate the balance. As to the general management of the bank, the strictest scrutiny should be exercised for the correction of all abuses, which may be found to exist, in order to sustain its character and usefulness, as an institution in which the people of the State have a deep interest.[16]

The act authorising the issue of Treasury Notes provided that they should be issued of the denominations of fifty and of five dollars, in an equal amount of each kind. The larger notes have proved inconvenient for circulation, and for the payment of taxes, and have suffered and are still liable to a greater depreciation than those of the less denomination. It is believed that it would be highly beneficial to the public generally, if provision were made by law for the State to take up the fifties, by substituting in their place notes of five dollars. As the State can lose nothing by the operation, no good reason can be conceived why this should not be done immediately, the more especially as it is now settled that they must remain in the hands of the people, until they can be taken up in the collection of the State revenue. Under existing circumstances bonds cannot be sold for their redemption, and it will require every exertion to prevent their depreciation. Their value as a circulating medium, for which they have been used must now depend on the facility with which they can be applied to the payment of taxes, and the demand created for them, by the amount of taxes to be collected.[17]

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[16] See House report on State Bank below, 374-82.

From the report of the Treasurer of State which will be laid before you, it will be seen that the balance remaining in the Treasury on the 31st of October last, being the close of the fiscal year is $29,774.93[18]

The report of the Auditor of State,[19] which will be laid before you, shows the assessments of the present year from which the revenue of 1842 is to be derived. It appears that the whole taxable property of Indiana is valued at $95,518,763, showing an increase over the assessments of the previous year of $5,762,978. The number of polls returned are 103,746, showing an increase in the number of polls, of 3,458. The revenue received the present year for State purposes will be $459,884.55. This amount is derived under the law directing an annual permanent tax of forty cents to be levied each year on the grand assessment for Internal Improvement purposes, and seventy-five cents on each poll to pay the current expenses of the State Government.[20] These expenses are estimated for the ensuing year at $92,750.00.

The present Librarian of the State in the faithful discharge of his duties has placed the library in excellent condition. Many books which were supposed to be lost, have been recovered by him, and some valuable additions have been made by purchase under the law of the last session on that subject. Being entrusted with the care of the capitol, close attention has been given by him to the preservation of the house and its furniture, and it is hoped that the improvements in its arrangements will prevent that want of comfort and loss of health so much complained of amongst those by whom it has been previously occupied. Some extension of the privileges of the Library, it is believed is necessary to carry out its original design.[21]

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[17] See auditor's report above, 267-68n.

[18] See above, 287.

[19] See above, 259-67.

[20] This was the amount levied by the preceding Assembly. For the report of the ways and means committee at this session and the levy which was passed see below, 402-11, particularly 405n.

[21] The report of the state librarian is printed in the *Documentary*

The condition of the State Prison claims your especial regard. At the last meeting of the Legislature, provision was made by law for a partial reorganization of its government and discipline, to go into operation at the expiration of the term of the Superintendents then in office, which took place on the 14th of last June. In pursuance of the Act, just named, vesting their appointment in the Executive, Joseph R. Pratt and John McDougal, Esqrs., were appointed Superintendents of the State Prison—Mr. William Collum, Clerk, Dr. Samuel Merriwether, Physician, and the Rev. Fernandez C. Holliday, of the Methodist Episcopal Church, Chaplain—all of whom entered upon the discharge of their duties according to law. Herewith, I lay before you the report of Dr. Samuel Wort visiter, of the Prison, for the present year. He gives a full account of the state of the Prison, and makes many valuable suggestions in favor of remodelling the whole system.[22]

During the past summer, while in the Southern part of the State, I made it a point to spend a short time in examining the Prison, its discipline and its adaptation to the purposes for which it was established. While I can freely express my satisfaction with the management of the Superintendents, so far as it came under my observation, and in favor of the provisions of the law of last winter, as far as they went, I have no hesitation in saying that the Prison itself, and the entire policy of its discipline, as established by law, cannot be too soon abandoned for the character of the State. The country has been full of rumors, for many years, of mismanagement and want of proper attention on the part of the Superintendents; but it needs only a hasty examination of the entire concern, to satisfy the most dull observer, that no man, or set of men, the best qualified that can be found, would be able to succeed in the management of the present Prison, as

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Journal, 1841-42 (general), House Doc. No. 3. The Assembly passed an act extending the privileges of the library to attorneys of the Supreme Court, editors of newspapers, clergymen, and physicians.

[22] See reports of Dr. Wort above, 252-55, 269-76, as well as the report of the superintendents, 277-83, above. An unofficial report by the chaplain, the Reverend Mr. Holliday, was printed in the Greencastle *Visiter,* January 20, 1842.

such an institution ought to be conducted. The Prison itself, is entirely too small, and the buildings are ill-designed and worse constructed. When the additional buildings, contemplated by the Act of last session, shall be completed, the space within the walls will be so nearly filled up, that it will be impossible to employ the convicts in the limits of the Prison, with advantage to the Superintendents, or the State. Indeed, suitable workshops, with the requisite light and air, and properly ventilated to secure the health of the prisoners, cannot be obtained without procuring an additional lot of ground, which cannot be done except at a very extravagant price.

The location of the Penitentiary on the Ohio river, in the immediate vicinity of a flourishing commercial city, furnishes every facility for the profitable employment of the convicts; and a removal to a distance from Jeffersonville is not to be desired. The ineligibility of the present site, however, is very obvious. The Prison is situated within the incorporated limits of the Town, with dwellings of the citizens near it. The practice has been for many years, and I apprehend it cannot be entirely changed until more room is obtained, to employ a part of the convicts at labor without the Prison, and it has been the cause of much just complaint on the part of the citizens of Jeffersonville, that they are daily compelled to witness convicted felons mingling with the population of the town.[23] Situated where the Prison is, its management must, and does frequently bring the officers of the institution in conflict with the police of Jeffersonville.

It is submitted to your consideration, whether it would not be expedient and proper to so far change the present situation of the Prison, as to establish it without the limits of the town of Jeffersonville. It is believed that a suitable site, containing the requisite space, can be procured for a reasonable sum at a short distance from the Town, which will secure all the benefits of the present location, without any of its disadvantages. It is said that good stone of the proper kind, can be procured, and delivered at Jeffersonville at a low rate. A part of the prisoners might be employed in dressing and preparing this stone for the erection of a new Penitentiary. To effect this object it would only be necessary to change the existing contract with the Superintendents, so far as to permit them to discharge the amount they have already agreed to pay the State, annually, for the labor of the convicts, in the preparation of materials, and the erection of the necessary buildings. As soon as the cells would be finished, the materials of the old Prison could be applied to the erection of walls and shops for the new Prison. With very little additional aid from the State, all the glaring defects of the present system might be avoided, and the improvements in prison discipline, which the experience and humanity of the age have produced for the reformation, connected with the punishment of convicts, could then, and not until then, be applied to the Penitentiary system of Indiana.[24]

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[23] See report of House committee on the State Prison on a petition of citizens of Jeffersonville opposing working the prisoners outside the prison walls. The committee agreed with the petitioners. *House Journal*, 1841-42, pp. 307-8.

[24] The House committee on the State Prison expressed itself as "fully convinced that a radical and thorough reform in our penitentiary system is imperatively demanded . . . that the honor, interest and character of the state, and the calls of humanity alike concur in demanding of the Legislature immediate action." In the light of the financial plight of the state it proposed a bill which "directed only the necessary expenditures to be advanced by the State, and refunded by the State's profit in the Prison."

The committee also spoke of the impolicy of the law permitting the appointment of more than one superintendent of the prison: "each having an equal right . . . any serious disagreement between the superintendents must result seriously, and permanently prejudicial to all parties concerned, or involved in the operations of the prison, its management or discipline." *House Journal,* 1841-42, pp. 393-94.

Apparently the incumbent superintendents, John McDougal and Joseph R. Pratt, had run into difficulties between themselves, for on January 14, 1842, the speaker laid before the House a communication from Pratt submitting particular specifications to the charges preferred by him against McDougal. *Ibid.,* 391. No further reference to this has been found.

The Assembly passed the bill as recommended by the House committee authorizing the Governor to purchase a site for a prison in the vicinity of, but outside the incorporated vicinity, of Jeffersonville of not less than ten nor more than twenty acres, and appropriated $1,000 for the purpose. He was to contract forthwith for the erection of a wing to contain cells to accommodate not less than 200 prisoners to be enclosed

When Indianapolis was established as the seat of our State Government, upon lands granted by Congress for that purpose, a lot of ample size was reserved by the State for the purpose of a Lunatic Asylum.[25] Nothing has been done heretofore by the Legislature to carry out the object of this reservation, although the example of several neighboring States, has been constantly before us for many years. In all the legislation respecting the insane, they have only been regarded as incapable of self-government. No provision has been made for the establishment of an institution, where they may be placed and submitted to proper medical treatment. The question is left for your decision, whether and by what means the object of the above reservation shall be effected.[26]

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with a brick wall, and $5,000 was appropriated for its construction. He was likewise to negotiate with the superintendents of the prison for prison labor in the erection of the building. The act also provided that the prisoners were to be employed within the walls and under no circumstances work outside, and any violation of this would make the superintendents liable to removal. The act also opened the way for the superintendents to resign their offices, allowing the Assembly to elect one superintendent, or if the Assembly was not in session authorizing the Governor to appoint one to serve until the next Assembly met. The superintendents did not resign, however.

The act also specified a special regimen for sick prisoners, and made allowances for medicine, and provided for a board of inspectors to check cruel and inhuman treatment of the inmates. *Laws of Indiana,* 1841-42 (general), pp. 98-101. See below, 444-46, for the agreement entered into with the superintendents of the prison regarding the erection of buildings on the new site.

At this session a select committee of the Senate reported favorably on a resolution regarding the expediency of locating a state prison in the northern part of the state, at Lagro on the Wabash and Erie Canal, near a fine stone quarry where convict labor could be employed very advantageously. A bill for the appointment of an agent to select a site for a northern penitentiary was introduced but did not pass. *Senate Journal,* 1841-42, pp. 417-19, 513.

[25] Square 22 in Indianapolis, bounded by New York, Alabama, Vermont, and New Jersey streets, was reserved by act of January 26, 1827, for the use of a state hospital for the insane. *Laws of Indiana,* 1826-27, p. 6.

[26] The act of 1818, providing for guardians for persons found to be insane, was amended at this session to provide means for such persons who were judged to have recovered their sanity to be freed from the guardianship. *Ibid.,* 1817-18 (general), pp. 331-32; *ibid.,* 1841-42 (gen-

The situation of the deaf and dumb in this State calls for some legislative interference. By the last census it appears that there are in this State 305 deaf and dumb persons, and our Statute books remind us that no provision has been made for their instruction. In this matter, Indiana is behind the times. The comprehensiveness of modern systems of education embraces means of instruction adapted to the capacities of this unfortunate class, by which they are readily enabled to acquire knowledge and communicate their ideas. The Constitution makes it the duty of the General Assembly to provide by law for a general system of Education, wherein tuition shall be equally open to all. A full compliance with this fundamental rule of our State Government, cannot be secured, until an Institution is provided for those, who are susceptible of an education, but to whom it cannot be imparted by the ordinary means of instruction.[27]

As connected with the perpetuation of free principles, and the stability of our Government, no subject is of more vital importance, than the general diffusion of knowledge, from its elementary principles, to the highest grades of learning. Our State constitution has imposed it upon the General Assembly "to provide by law for a general system of education ascending in a regular gradation from Township Schools to a State University, wherein tuition shall be gratis, and equally open to all." Although there has been much legislation, but little progress has been made in

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eral), pp. 171-72. In the 1840-41 session the House ways and means committee after studying a resolution directing it to consider the expediency of providing means for the custody and cure of insane persons by authorizing the appropriation of part of the fund designed for the support of the poor in the several counties to the building of a lunatic asylum or by providing for the erection of such an asylum by private donation or otherwise, reported the resolution back with the recommendation that it lie on the table. *House Journal,* 1840-41, p. 290.

See below, 411-17n, for the report of the House committee on education on this subject, and the resolution passed by this session. The Senate committee on education at this session acknowledged the claims of lunatics and deaf and dumb to measures in their behalf and "only the extreme embarrassment of the State has induced the committee to recommend the postponement of the further consideration of the subject." *Senate Journal,* 1841-42, p. 83.

[27] For Senate action on the matter of an institution for the deaf and dumb, see preceding note. No House action was taken.

the perfection of such a system. It may be that a principal cause of failure is to be found in the fact, that too much reliance has been placed in devising particular systems, which, of themselves are expected to produce the desired result, without any reference to the peculiar state of society, or the means which can be commanded to carry out those systems. It is almost impossible to ascertain the amount, or condition, of the funds appropriated for the benefit of common schools. Are these funds in a situation to be applied as appropriated? What amount can be relied upon—and is the entire amount sufficient to answer any valuable purpose, or is it necessary to make additions to the funds, already designed to aid in a compliance with the requisitions of the constitution? Until these matters are clearly ascertained, every system of common school education must necessarily prove inefficient. This consideration points to the propriety of appointing some suitable agent or agents to examine into, and report the general condition of the school funds of the State, that future legislatures may be fully advised of the particular legislation, necessary, to accomplish the design of that admirable feature in our constitution, to which your attention has been invited.

The fines and forfeitures in criminal cases have been set apart as a fund, for the establishment of county Seminaries. How it is managed or applied, is, under the present laws, unknown to the legislature. It is respectfully suggested that some plan should be adopted, by which the amount and mode of managing this fund in the respective counties, may be annually reported to the General Assembly.[28]

The interests of the State University, endowed by the munificence of the General Government, are entitled to your especial attention. To make that Institution prosperous, useful and permanent, will require a constant supervision of its affairs, and its fund should be protected with the most watchful vigilance. I am in possession of no facts, from which I can give any account of the progress of the Institution during the past year.[29]

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[28] Secs. 20 and 21 of the act of February 17, 1838, regarding county seminaries was so amended at this session as to require the seminary trustees to give a full report on seminaries to the boards doing county business at the September term each year; on the basis of these reports, the county auditors were then to report to the secretary of state by November 1. *Revised Laws of Indiana,* 1838, p. 562; *Laws of Indiana,* 1841-42 (general), pp. 133-34.

I have endeavored thus to lay before you the condition and wants of the State, as fully as the means within my power would enable me, with such suggestions as seemed important for your consideration.—There is, as you will perceive, little in the aspect of our affairs, upon which we can look with pleasure. It is difficult to foresee the result of the present state of things, and equally as difficult to determine, what particular remedy should be applied. The involvement of the citizens, while adding to the embarrassments of the affairs of the State, increases the amount of responsibility resting upon us. There never has been a time in the history of our State when a spirit of forbearance, firmness of purpose, and an entire abandonment of all selfish designs were more imperiously required of those, entrusted with the management of her concerns.

It will at all times afford me the most sincere pleasure, to unite with the Legislature, in the adoption of measures to promote the welfare, and retrieve the credit of the State. Coming to your duties immediately from the people, you will be well informed of their peculiar wants, and necessities, and whatever you may adopt for the relief of the community, at the same time impartially securing the just rights of all, shall receive my most willing sanction. May all your labors be signalized by harmony of action, and followed with the most beneficial results to our common constituents.

EXECUTIVE CHAMBER, December 7, 1841.

SAML. BIGGER

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[29] The Assembly passed a joint resolution requiring the trustees of Indiana University to examine into the resources of the institution and make a full and complete report to the next Assembly, together with the amount of salaries paid to the professors and other expenses, and also whether the trustees felt the resources of the University were sufficient to enable the legislature to pass a law making tuition gratis in compliance with the constitutional provision to provide for a general system of education ascending from township schools to a state university. *Laws of Indiana,* 1841-42 (general), pp. 174-75. No copy of such report, if it was made, has been found.

Resolution of the Senate: Appointing an Investigating Committee[1]

[December 7, 1841]

Mr. Eggleston offered the following preamble and resolution for adoption.

Whereas, It is notorious, that in the prosecution of the system of Internal Improvements, adopted in the year 1836, in the State of Indiana, that some of the officers and agents employed by the State to borrow money for said purpose, have been guilty of gross negligence in the discharge of their said trust, whereby great loss has been sustained by the State: and Whereas, also, it has been currently surmised that some one or more of said agents and officers have been guilty of fraud in the sale of bonds to irresponsible purchasers and in the hypothecation of bonds for less than their market value: And whereas, also, it has been rumored that other agents of the State, employed to borrow money to form bank capital for the State Bank of Indiana, have been guilty of similar negligence or fraud: And whereas, also, the Board of Internal Improvement, commissioners appointed by law to superintend the expenditure of money on the lines of the public works have been guilty of gross mismanagement and of wasteful and unnecessary expenditure of the public money, and it has been rumored that much of this wasteful expenditure has been fraudulently made by one or more of said commissioners for private ends: And whereas it has been rumored that sundry expenditures of the public money on said works were made without the authority of law, at places where there had been no surveys: And whereas, it has been rumored that the contractors on the public works have, in many instances, obtained larger allowances for their respective services than they were entitled to, by the fraudulent connivance and assistance of the officers superintending the said works, and it being desirable that every thing touching the said matters should be investigated at as early a day as practicable, to the end that the State may assert her legal rights in the premises and the offenders exposed before the public.

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[1] *Senate Journal,* 1841-42, pp. 28-29.

Resolved, Therefore, that the following named Fund Commissioners, to wit: Nicholas McCarty, Jeremiah Sullivan, Caleb B. Smith, James Farrington, Isaac Coe, Lucius H. Scott, Milton Stapp, Samuel Hanna, Nathan B. Palmer, George H. Dunn, and Noah Noble; Samuel Merrill Bank agent, and the following commissioners to wit: Jesse L. Williams, Samual Lewis, David H. Maxwell, Thomas H. Blake, Elisha Long, John Woodburn, Alexander Morrison, J. G. Clendening, Daniel Yandes, James B. Johnson, David Burr and J. H. Graham, be cited to be and appear at the bar of the Senate, on the 3d Monday of December, 1841, at the Capitol in Indianapolis, to answer on oath touching the aforesaid matters, and that process be issued by the President of the Senate for that purpose forthwith, which was adopted.[2]

[2] Following the adoption of the resolution, the Senate appointed a committee of five to conduct the investigation consisting of Joseph C. Eggleston, Whig of Switzerland County, who had offered the resolution; Ebenezer M. Chamberlain, Democrat of Elkhart; Samuel W. Parker, Whig of Fayette and Union; Thomas D. Baird, Whig of St. Joseph, Marshall, and Fulton; and Nathaniel West, Democrat of Marion. Indiana *Senate Journal,* 1841-42, pp. 50-51.

See below, 363-66, 393-94, 426-31, for Chamberlain's comments on the work of the committee. The report of the committee is in the *Documentary Journal,* Senate Doc. No. 6, and runs from page 141 to page 632.

The committee opened their report by stating, "Your committee . . . have given the widest range to their inquiries, allowable by the most liberal construction of the resolution under which they acted, and have pursued their inquiries into all the alleged abuses which have in any way come to their knowledge. . . . This body of testimony contains, at once the inculpating charges of the accusing witnesses, the exculpatory denials and explanations of the accused, and the testimony sustaining, excusing or refuting these charges." In concluding their introduction, they made the interesting observation: "Your committee, acting upon the belief that facts disclosed by their examination, are all that can be known about the matters under investigation, come now to the most difficult, and delicate part of their duties. The judgment which they pronounce on these facts has not been a little embarrassed by the difficulty of distinguishing between those evils which are properly attributable to the legislation under which these officers have acted, and the consequences of their negligence or malconduct. Your committee . . . have been careful . . . to attribute to the law the bad consequences which had their origin in legal enactments. But while a regard to justice has induced your committee to keep in view, during their whole examination, this distinction, they have not failed to note those acts of the officers whose conduct have been under investigation, as are manifestly not sanctioned by law."

In summing up, the committee labeled their task as herculean. "It would be unpardonable arrogance in your committee to pretend that their statement of what appears to be facts, is always correct, indeed that they have not often been misled by appearances. Amidst the bewilderments through which they have been compelled to thread their way, it would be passing strange if they have not sometimes mistaken their true course. And they regret this the more, because of its bearing upon the conduct and character of some of the most prominent men of the state."

The Appendix to the report (pp. 182-632) consists of correspondence and testimony. The whole report was signed by Eggleston, Parker, and Baird. West and Chamberlain objected to the complete exoneration of Noah Noble in regard to payments made to J. H. Hendricks, controller on the Madison and Indianapolis Railroad, and Chamberlain took exception to the exoneration of Jesse L. Williams. See below, 428-29.

Pages 144-80 of the report is a summary of the findings and judgment of the committee against the agents, one by one, named in the resolution. The committee found that the acts of Alexander F. Morrison, commissioner on the Central Canal, had resulted so injuriously to the state that heavy damage could not fail to be assessed against him, and recommended that his official bond be put in suit.

The committee found that Elisha Long, commissioner of the Whitewater Canal, had used public funds for private purposes and then bought up estimates to replace them. The matter was thus settled and no action could be had except an expression of condemnation of such action.

David H. Maxwell, commissioner on the Jeffersonville and Crawfordsville Railroad, was pronounced blameless, though the committee disagreed with his judgment.

John Woodburn, commissioner of the Madison and Indianapolis Railroad, was found wanting in judgment and guilty of nepotism in the employment of his brother.

Against Samuel Hall, commissioner on the Central Canal, the committee found no charges whatever.

David Burr, commissioner on the Wabash and Erie Canal, had defaulted to a large amount, which had previously been proven and retribution made, and no action against him was recommended.

Against Yandes, Blake, and Lewis no charges were found.

Graham did not appear before the committee because of illness.

The majority of the committee found that the testimony of Jesse L. Williams, chief engineer, vindicated him completely and triumphantly on all charges.

The officers of the Madison and Indianapolis Railroad came in for stern rebukes and the committee concluded, "What remedy should be had against the officers, and how to distribute their liability, is a question of some difficulty. . . . These matters must be left to the discretion of the attorney of the State."

(*Note continued on following page*)

Resolution of the House of Representatives: Appointing an Investigating Committee[1]

[December 8, 1841]

Mr. Hannegan moved . . . the following resolutions:

Resolved, That a select committee of nine members be appointed to investigate the transactions of the different agents, heretofore authorised by the State of Indiana, to effect loans, and to dispose of bonds on behalf of the State: that said committee be directed to ascertain and report the manner in which those loans have been effected; the terms upon which they were negotiated; the periods at which the sales of such bonds occurred; the names of the persons to whom they were sold or otherwise disposed of, and by whom sold or disposed of; together with all other matters relative to, or connected with the subject; and that said committee have power to send for persons and papers And be required to report to this House all the evidence detailed before them.[2]

Noah Noble was found free of blame except for his connection with the extension of the contract to the Madison Bond Company.

Dr. Coe did not come off so well, and the committee recommended the filing of a bill in chancery against him to compel him to disclose on oath the amount of profit which he made in all transactions as agent, and to compel him to account for the same to the state treasury. He was also charged with rash and precipitate action in handling state bonds. His close personal connection with the Morris Canal and Banking Company during his term as fund commissioner was also censured.

Caleb B. Smith and James Farrington were found above reproach. Samuel Merrill was censured for making a loan, as State Bank agent, on credit to the Morris Canal and Banking Company by which the state lost a large sum of money. The committee only commented that he, Merrill, "appears to have been as much infatuated and spell bound as any of our eastern agents."

There were no charges against Lucius H. Scott, Samuel Hanna, Jeremiah Sullivan, or Nicholas McCarty.

With Milton Stapp, it was a different story. His complicated dealings seemed too much for the committee. "His business has been done in such a confused and heedless manner, as to render . . . an examination a very tedious business, requiring more time than was allowed us. . . . Your committee recommended [all matters concerning him] . . . be settled by a suit on General Stapp's official bond."

For action against Coe and Stapp see below, 347n.

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[1] *House Journal,* 1841-42, p. 33.

[2] The Speaker appointed the following men to the committee: Edward

A. Hannegan, Democrat of Fountain County; John D. Defrees, Whig of St. Joseph; John S. Simonson, Democrat of Clark; Joseph G. Marshall, Whig of Jefferson; William J. Brown, Democrat of Marion; John S. Davis, Whig of Floyd; Ethan A. Brown, Democrat of Dearborn; James Ritchey, Democrat of Johnson; and Robert M. Cooper, Whig of Henry. Later William B. Mitchell, Democrat of Elkhart County, replaced Simonson who was ill.

The report of the committee is in the *Documentary Journal,* 1841-42, House Doc. No. 12 (pp. 215-493).

After submitting its report the committee offered a resolution concurred in by the House that "suits should be instituted by the proper authority, on behalf of the state, against Isaac Coe and Milton Stapp, for malversation in office, after allowing them until the first day of next May to settle their accounts with the State." *House Journal,* 1841-42, pp. 33, 67, 270, 591.

The State brought suit against Coe in the Marion County Circuit Court at the May term of 1843 to recover damages of $40,000 on a breach of contract. The case was continued from term to term, with Coe trying to prove that the other Fund Commissioners were equally implicated. At the January term of 1846 the jury that was called to try the case failed to agree and was dismissed; finally, at the April term of 1847 another jury decided in favor of the defendant and the State was ordered to pay the costs of the suit. Issue Docket, 7:161, 263, 378; 8:20, 121, 242, 338; 9:24, 128; Order Book, 9:333 (Jan. 1846); 10:28 (April 1847).

At the December term of 1842 the State had brought suit in the same court against the Morris Canal and Banking Company and Isaac Coe to recover damages of $1,332,000 on a violation of promise. This suit was likewise continued from term to term until the January term of 1846 when it was dismissed by order of the plaintiff. Marion County Circuit Court, Order Book, 7:299; 9:173.

In a settlement made with Stapp in 1843, the Agent of State allowed him a credit of $41,492 on a debt of $107,187, and a committee of the House allowed him a further credit of $40,169 which was approved by the House. Stapp paid the balance of $25,589, or $27,175 including interest. A suit in chancery filed in the Marshall Circuit Court against Stapp and others who were indebted to the state was ordered dismissed on payment of the costs by the defendants. *House Journal,* 1843-44, pp. 319-22. In announcing his candidacy for a seat in the state legislature in 1844, Stapp said, "My acts so far as pecuniary matters are concerned have been settled with the state," and referred to the fact that he had been "robbed" of a whole life's earnings, his name assailed, and has character traduced. Madison *Courier,* March 2, 1844. He was elected to represent Jefferson County in the House of Representatives in 1844 and again in 1845. *Indiana Election Returns, 1816-1851,* 281, 293.

Bigger to the Speaker of the House of Representatives[1]

EXECUTIVE DEPARTMENT,
December 8th, 1841.

TO THE HON. J. W. DAVIS, Speaker of the House of Representatives:

Sir:—I have the honor to enclose sundry resolutions received from the Executives of other States, which you will please lay before the House over which you preside. As follows:

1st. Resolutions of the Legislature of Maine, on the subject of the North Eastern Boundary.[2]

2d. Resolutions of the General Assembly of Rhode Island on the subject of French spoliations.[3]

3d. Resolutions of the Legislature of Maryland, on the subject of fugitives from justice.[4]

I am, Sir, most respectfully, your obedient servant,

SAM. BIGGER

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[1] *House Journal,* 1841-42, p. 40.

[2] The House passed a joint resolution in regard to this (No. 128), but it was lost in the Senate. See index to *Journals.* See also below, 432.

[3] Similar resolutions from Maryland, Connecticut, New Hampshire, and Maine were referred to the House committee on Federal relations. They concerned claims of American citizens on account of spoliations committed on American commerce by French vessels before September 30, 1800. The committee reported that it did not feel that it was incumbent upon it to express an opinion, that it was a matter of national concern, and concluded, "The committee, however, is aware of the resolves of State legislatures, upon topics of national import, have of late, become too common to be very respectable." *House Journal,* 1841-42, pp. 211-12.

[4] The House committee on Federal relations offered the following resolutions in regard to the Maryland resolutions: ". . . That each of the United States has a right to declare what acts committed within its borders, shall be held as felonies and crimes, and punished as such: and that a demand of a fugitive from the justice of a State, ought to be respected and complied with by the proper authorities upon whom such demand should be made. . . . That in reference to the subject, jealousy will, in the opinion of this Legislature, beget jealousy; and that the mutual confidence of the States will beget mutual justice." The resolutions were passed by the House (*House Journal,* 1841-42, pp. 123-25, 188, 192), but were lost in the Senate. The select Senate committee to which they were referred considered the resolutions too broad in asserting that each state had the right to declare what acts committed within its

Ebenezer M. Chamberlain to Editor Goshen *Democrat*[1]

INDIANAPOLIS, Dec. 11, 1841

DEAR SIR:—We have now concluded one week's legislation. Much of our time has, as usual, during the first week, been taken up in the election of the necessary officers, for the organization of the General Assembly, and in the election of Judges and Prosecuting attornies. We have not yet, however, filled the vacancy of Prosecuting Attorney in the 8th, (Judge Wright's) circuit, for the reason that a Bill is pending for the division of that Circuit, and the formation of a new one, the 12th. This bill has passed the Lower House, and is now pending in the Senate, and will doubtless become a law.[2]

The Governor's Message, which I presume you have received, is rather an extraordinary document, and by most of both parties, is generally pretty well spoken of. One of its peculiarities is, the entire difference from his Message of last year, in its tone, spirit, and sentiments, and, indeed in many important points; in the *facts* it purports to disclose. The Governor, with his party, find

border were felonies and crimes, and in violation of the limited state sovereignty under the Federal constitution. *Senate Journal,* 1841-42, pp. 367-68.

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[1] Goshen *Democrat,* December 23, 1841. Chamberlain, a Democrat, was representing the counties of Elkhart, La Grange, Noble, DeKalb, and Steuben in the Indiana Senate. He was born in Maine, began the study of law in that state, and on emigrating to Indiana in 1832 continued his law studies in the office of Samuel W. Parker, of Connersville. After his admission to the bar, he established his residence in Elkhart County and began the practice of law. In 1835 and 1837 he was elected to the House of Representatives and in 1839 to the Senate. Following his legislative service, he served as prosecuting attorney of the Ninth Judicial Circuit for one year and then was elected presiding judge of that circuit. *A Standard History of Elkhart County Indiana,* edited by Abraham E. Weaver, *et al.* (2 vols. Chicago and New York, 1916), 2:407-9.

[2] The bill reorganizing the first, eighth, ninth, and eleventh circuits, and creating a new circuit was approved by the Governor on December 14, 1841. On that same day Spear S. Tipton was elected prosecuting attorney of the Eighth Circuit and William H. Combs the same for the new Twelfth Circuit. *Senate Journal,* 1841-42, pp. 79, 80-81. The last comprised the counties of Allen, Wells, Huntington, Whitley, Noble, LaGrange, Steuben, DeKalb, and Adams counties.

themselves at last constrained to admit, that Indiana is a ruined State. The admission of one other fact only is wanting to tell the whole story; and that is, that *his party,* in the mismanagement of her interests, and especially her finances, *has done it.* From this conclusion they cannot escape.

In the whole progress of their reckless career, they have been resisted, admonished, and forewarned, by the Democratic party, by every means in our power to interpose. Though other causes have doubtless contributed their share, yet the mismanagement of our finances, has been the principal cause of our deplorable condition, and the prostration of all our high hopes. . . .

In this work of desolation, the whole generation of our Fund Commissioners, including that consumate blockhead, Samuel Merrill, have been engaged, and are deeply implicated. And to whose door is this abomination to be traced?—Say what they will, and endeavor to extenuate and excuse it as they may, to the Federal party, *as a party,* the finger of public indignation points, with the exclamation, "thou art the man!" And this justly, for the reason that in contempt of palpable evidence, in defiance of the most correct admonition, in total disregard of the public interest, they have sustained their partizans, in these offices, and now upon their heads be the responsibility!

To go no further back, look at Noble's Report,[3] and see what havoc has been made with the credit of our State, and the pecuniary interests of our people, within the brief space of two years! —Then look at the journals of our legislation, and see by whom Coe, Stapp, Merrill and others have been sustained. In 1840 the Democrats in the Legislature introduced a proposition to remove those men from office; in the Lower House there was a Democratic majority, it passed that branch, and came to the Senate, where there was a majority of Federalists, and there it was promptly met, resisted and defeated. I, with other members of the minority of that body, at that time, in support of the measure, pointed them to the shameful malpractices which had already disgraced the acts of these public functionaries, and pointed Indiana to her inevitable doom, if this career of her agents, was not at once arrested.—But no! they were blind to the perfectly damning testimony which then stared them in the face—they were deaf to the voice which warned them of impending ruin, and madly they hurled their State from her last hold and last hope of salvation! They not only sustained Milton Stapp and others, but (an almost unheard of thing in legislation) they legislated him into office, as Fund Commissioner, by inserting his name and others in the Bill; and so intent were they on consummating this their *darling design*, that they absolutely defeated the revenue bill, in accomplishing it.[4]

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[3] A reference to Noble's report as Fund Commissioner cited above, 245-47n, 327n.

Again in 1841, (last session) and early in the session, I made an effort to relieve Indiana from this incubus, which had so long oppressed and finally ruined her, by introducing a bill into the Senate, to repeal the act legislating those men into office. This met from the majority the fate of all similar efforts—was by them laid on the table, and there, in defiance of repeated efforts, to call it up, it lay till the very close of the session.—[5] Thus, by sustaining these men, and sanctioning their measures, the Federal party have justly made themselves politically responsible.

To a sense of this responsibility, the indignation of the people has at last aroused them. And now when *all is lost,* and Indiana is irretrievably ruined, they are constrained to aid us in the melancholy work of ferreting out the abuses which have caused it, which however, can result in little more than exposing to a disgusted world, our truly deplorable condition. A committee has been chosen by the Senate, consisting of Eggleston, Chamberlain, Baird, West and Parker, three Whigs and two Democrats; and one also has been appointed by the Speaker of the House, consisting of a majority of Democrats, to investigate everything connected with the management of our *once* "glorious system of Internal Improvement." As these committees will act, independently of each other, I think we cannot fail to elicit pretty much the whole truth.[6]

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[4] See *Messages and Papers of David Wallace,* 328n-29n.

[5] *Senate Journal,* 1840-41, pp. 440, 632 (S. B. 142).

[6] See above, 343-47n.

I have introduced a joint resolution, requiring our banks to resume specie payments on the 15th day of January next. I think it will pass through, perhaps with some modifications. In this matter, also, many of the Whigs, dare no longer resist, and disregard the wishes and wants of the people.[7]

The proposition to repudiate so much of our public debt, as we have never received any thing for, seems suddenly to have become a favorite measure of the Whigs. This self-same proposition they have at all times heretofore *resisted,* to a man. But now, finding themselves abandoned by the people, in the support of their heretofore favorite and ruinous policy, they are compelled to abandon it, and in order to show the ardor of this their *new-born* zeal, it is their great effort to anticipate us, even in measures, on which heretofore, we have uniformly met their untiring and uncompromising resistance. Although it argues but illy for the integrity and sincerity of their motives, yet it is to me a source of gratification to see them, even at this late hour, stepping forward to adopt our measures, as it promises us final success, even though their motives may be but to make political capital for their party.

We must repudiate our suspended debt, as it is called, amounting to about Three Millions. And although, during the last session, I introduced a proposition to that effect, it was resisted by the Whig majority, with Collins, from Floyd county at their head, and *defeated*—yet finding they can no longer stem the current of public reprobation, this self-same Collins, with the Whig majority at his heels, now come forward, and with flaming zeal, propose and advocate the measure. But be their motives what they may, we shall promptly be found pressing forward our favorite measures, rejoicing in having at last convinced our opponents, that ours is the true policy.[8]

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[7] For other references to resumption see annual report of the State Bank and the Governor's message, above, 304-5, 331-34, and report of House committee below, 374-82. See also Chamberlain's letters of December 18 and 25, below.

[8] See Governor Bigger's remarks in regard to the suspended debt and the state's ability to meet its obligations, above, 320. At the previous session Chamberlain introduced a resolution that the committee on finance "be instructed to inquire into the expediency and propriety of refusing to pay any further interest on the debt now due the state for

As connected with this subject, and as the only hope of deliverance for the State, I shall, as soon as I have time to mature it, bring forward the measure I have already frequently suggested, of appropriating all the several funds, which may be found available, (and which by the Whigs last winter were given to the Bank;) and create a fund, to be set apart for the purchase of our bonds, for whatever they can be bought in the market, varying probably from 25 to 37½ percentum.[9] If in this manner we can create a fund even of two millions, we can, by sending an efficient and *honest* agent into the market with it, buy up and extinguish five or six millions of our debt. This, with the three millions to be repudiated, will cheer our oppressed and desponding fellow citizens, with a well founded hope, of final deliverance from the unrighteous burdens which now crush them to the earth.

It is probably doubtful whether this measure will entirely succeed at this session, but, that it will ultimately be adopted and that successfully, I entertain no doubt. At all events, this being the last session of my Senatorial term, I am resolved to give the measure

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bonds sold to, and fraudulently obtained by, the Morris Canal and Banking Company." *Senate Journal,* 1840-41, p. 92.

[9] On December 22, Chamberlain introduced a resolution "that a select committee be appointed to inquire into the expediency of providing a fund for the redemption of our state bonds at whatever depreciated price they can be purchased; and if for this purpose found necessary, of paying all interest which shall have accrued upon such bonds up to the time of their redemption as aforesaid." For the creation of such fund he recommended using the funds appropriated by the previous session for state bank stock investment. (See above, 198n-99n.) Joseph C. Eggleston, Whig of Switzerland County, offered an amendment, which was adopted, to strike out the part relating to the funds to be used and add a clause that the committee inquire into the expediency "of creating stock companies to whom the public works of the State . . . may be sold for their cost in bonds, and further to provide that the several counties of the State be authorized to pay off the public debt in funds to be in just proportion, taking into consideration the benefit derived from the public works." William T. S. Cornett, a Whig, offered another amendment, which was adopted, that the committee inquire into the expediency of raising the fund by levying a tax on the people of the counties which have advocated the internal improvement system. The resolution as amended was adopted and Chamberlain, Eggleston, and Henry Kinzer, Democrat of Henry County, were named to the committee. *Senate Journal,* 1840-41, pp. 148-49. For further comments by Chamberlain relative to this matter, see his letter of January 26, below, 421-23.

and the best of my public exertions, a legacy to the people of the State.

Very Respectfully,

E. M. Chamberlain

Bigger to the President of the Senate[1]

Executive Department,
December 15th, 1841.

Hon. Samuel Hall, President of the Senate.

I herewith transmit to the Senate a communication from G. H. Dunn Esq., Treasurer of State, enclosing copies of letters from the Secretary of the Treasury of the United States, and the acting comptroller, explaining the grounds upon which the amount of the three per cent fund due the State of Indiana for the present year has been withheld. It seems that the State has failed to pay the interest amounting to $3,525, on her bonds, held by the General Government, in trust for the Chickasaw Indians, due the first of last July.[2] To discharge this sum, the Secretary of the Treasury has retained the whole of our part of the three per cent fund, $4,808.15. The acting comptroller in his letter, states that he does not deem it important to express an opinion as to the *legal right* of the United States to adopt this course; and in as much as I am not myself able to perceive either the equity or justice of a precedent, by which we may be deprived of the whole of this fund, although it is likely to amount to a much larger sum than the interest due from the State, I have deemed it proper to lay the matter before the General Assembly for consideration.

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[1] *Senate Journal,* 1841-42, pp. 89-91. The enclosures referred to are in the *Senate Journal* but are not reprinted here.

[2] Money due the Chickasaw Indians for land cessions in 1832 and 1834 was to be invested by the Federal government in stocks and bonds, the interest thereon to be paid the Indians annually. According to the comptroller's letter enclosed with the above, $141,000 was invested in Indiana bonds, upon which the interest was overdue. The correspondence was referred to the Senate committee on Federal relations; no report of the committee has been found. According to the report by Michael G. Bright, state agent, in December, 1842, the July, 1841, interest on these bonds was paid by the state. See below, 579.

I have the honor to be, your most ob't. servant,

SAMUEL BIGGER

Sinking Fund Commissioners: Annual Report[1]

IN SENATE, December 16, 1841

HON. SAMUEL HALL, President of the Senate.

Herewith is an exhibit of the condition of the Sinking Fund and Surplus Revenue, Dec. 9, 1841.

The means consist of—Stock Loans in branches	$ 213,733 08
Bank Stock Chartered Capital	880,000 00
Surplus Revenue Capital	439,950 00
Bank Stock of 1839-41, and from School tax, &c.	30,716 27
Loans of Sinking Fund and Surplus Revenue	746,858 35
Surplus Fund paid on Bank Stock	32,179 51
Cash from Interest and Dividends	64,338 73
Cash from Principal of Loans refunded	2,740 00
	$2,410,515 94

There has been paid as follows:

Expenses of Loan, office expenses, transportation of specie, &c.	23,241 24
Interest on State Bonds, Exchange, Commission, &c.	422,226 30
Paid Fund Commissioners, Dividends and Interest	164,607 79
Paid Treasurer of State	38,125 01
	$3,058,716 28

The above sums have been realized as follows:

From State Bonds	$1,410,000 00
Third and fourth instalments Surplus Revenue	573,660 11
Saline Fund and School tax, by Treasurer of State	5,716 27
Premiums, Dividends and Interest	1,068,990 31
Blanks, damages &c.	349 59
	$3,058,716 28

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[1] *Documentary Journal,* 1841-42, Senate Doc. No. 3.

Deduct the State bonds, Surplus Revenue, Saline Fund and School tax, in all $1,989,376 38, from the means on hand, and the sums paid to the Fund Commissioners and Treasurer of State, amounting to $2,613,248 74, and there remains $623,872 36 profit to the State by the operations of the Bank and the Sinking Fund. In addition, there is a further sum of $15,502 60, which by the law of last session, is transferred at once to the Treasurer of State, without being entered on the books of this office.

As yet, the Commissioners have discovered but few cases in the Mortgages under their charge, where the State will sustain losses on its loans of the Sinking Fund and Surplus Revenue. In addition to the probable loss of the interest due on Jeremiah Muncy's Loan, the particulars of which were reported last year,[2] it has since been ascertained that Asher Cox, of Fayette county, fraudulently obtained a loan of $500, which will be lost. The affidavit of the borrower and certificate of the Recorder, both stated that there was no incumbrance on the mortgaged premises, yet it afterwards appeared that there was an unsatisfied mortgage of record in existence. The Mortgager, Recorder, and his sureties, are said to be insolvent. Alfred E. Teal, a minor in Shelby county, obtained a loan of $500, which he now refuses to pay: but there are circumstances in the case sufficient, it is believed, to authorize the Court of Equity, which has been applied to, to enforce payment.

In addition to these cases referred to last year, where it was understood there had been an over-valuation of property, it is now supposed that there will be several others where the State will lose more or less by the high appraisement put upon property, or its subsequent depreciation. The only new instances however, that have yet been intimated to the Board, are two in Laporte county, two in Marshall, and one in Cass. To ascertain the true value of the mortgaged premises, and to obtain further security where it may be needed and can be had, it was resolved at the last meeting of the Commissioners, that one of their number should personally examine, or satisfy himself beyond dispute, as to the value of each tract of land on which a mortgage has been taken. From the increasing neglect of the regular payment of interest, the importance of being able to give accurate information at sales, and the deep interest which the State now has in these Mortgages, it was deemed advisable to give more attention to this subject hereafter.

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[2] See above, 148.

Of the tracts that have been advertised for sale since the commencement of operations, seventy-two have failed to sell for want of bidders, and have not since been redeemed. Fourteen of these tracts are in Marshall county, thirteen in Tippecanoe, eleven in Warren, eight in LaPorte, five in Fulton, four, each in Cass and Shelby, two, each in Elkhart, Boon and Marion, and one each in Dearborn, Carroll, White, Hamilton, Montgomery, Hendricks and Daviess. One hundred and three additional tracts had not been redeemed when the sale advertised for the 11th inst. was postponed, in compliance with the directions of the Joint Resolution of the Legislature.

There are in Marshall county, several tracts of land mortgaged to the State, which either by the death or absconding of the mortgagor, are left unoccupied. The most of these have been personally examined, and found to be ample security for the ultimate payment of the amount due the State. As these lands cannot be sold at present, a provision by law appears to be necessary for renting such as are improved, so that they may be made more valuable, or may contribute in part to the payment of taxes and interest.

It is also respectfully suggested to the Legislature whether the Commissioners of the Sinking Fund ought not to be vested with powers to compromise under certain restrictions, or advance more money, or exact a lower rate of interest, where the security is now doubtful, and better security can by that means be had. We are, &c.,

S. Merrill, President.
R. Morrison,
G. P. Buell,
J. Walker,
W. T. T. Jones,

Sinking
Fund
Commissioners

The compensation to the Commissioners of the Sinking Fund has been as follows:

For per diem services during sessions, averaging about twelve days a year—$2 00 a day.

For examining titles, approving mortgages, and superintendending payments of interest until the expiration of the loans—one per cent. on the sum loaned.

The only compensation yet received by the President, is one-half per cent. on the loans he has superintended.

The Clerk receives $200 a year, and the Assistant Clerk, $800 a year.

S. MERRILL

Bigger to the President of the Senate[1]

EXECUTIVE CHAMBER,
December 17, 1841.

HON. SAMUEL HALL: President of the Senate,

I have just received a resolution of the Senate, requesting information, as to what progress has been made in the revision of the laws of this State, and the probable time when the revision will be completed.

In reply I have to state that I find the undertaking most arduous and difficult. There are three prominent defects in the statutes. It is found that provisions, respecting the same subject matter, are frequently placed in different acts. Single sections often contain entirely different matters, and are so long and intricate as to be almost unintelligible. Glaring defects, omissions and contradictions are found to exist, when we bring all the enactments on the same subject together. The course I have marked out for myself in this revision, is to place together under the same title, all matters touching the same subject, and nothing more; each provision following in a regular connection, and throwing into each section one substantive proposition. By doing this, omissions and contradictions can be much more readily discovered by the reviser, or by the legislature, and the whole law relating to the same subject will be much more easily ascertained and understood. To effect this object, however, is a work of much labor. I have been engaged during the past season in collecting the different enactments relative to the same general subjects—making memorandums respecting the arrangement of these subjects, under their appropriate heads—the defects to be remedied—the additional provisions necessary, and in making rough drafts of a revision. It will be perceived that the plan which I have marked out will require the whole of the revision to be written out by myself, at full length, with an amount of labor, almost if not altogether, equal to the labor of composing an entirely new set of statutes. The final copying of the whole to be laid before the legislature, will of itself, be a heavy task, and as no provision has been made for employing assistance to perform this part of the labor, it will of itself occasion considerable delay in preparing the whole for the action of the legislature. I should be much gratified if the legislature would associate assistance with me in this work, so as to facilitate, and at the same time perfect the object had in view by this revision. It will be my aim to have the revision ready, if possible, by the next meeting of the legislature.

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[1] *Senate Journal,* 1841-42, pp. 115-16.

I may here remark that I shall not propose amendments which will change any of the leading principles upon which our present system of jurisprudence rests. The same general features will be preserved, proposing such additional amendments as are obviously necessary. The clerk of the House of Representatives, is in possession of several sheets of a rough draft, showing the general manner in which the revision will be conducted.

I have the honor to be, most respectfully, Your obedient servant.

SAM. BIGGER[2]

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[2] The Assembly provided that George H. Dunn be associated with Bigger in making the revision. *Laws of Indiana,* 1841-42 (general), p. 148.

Ebenezer M. Chamberlain to Editor Goshen *Democrat*[1]

SENATE CHAMBER,
INDIANAPOLIS, Dec. 18th. [1841]

DEAR SIR:—We have concluded the second week of our legislation. This, I think, may with propriety, be called the session of *remedies*—as that of last winter, under whig rule, was called the session of *experiments*. The general cry of the people from every quarter of the State, is *Relief!* and relief laws of every description, are of course, the order of the day. From the catastrophe which has overwhelmed them, the people seem to be looking for deliverance, to legislative action, which, I am apprehensive, can afford them no other immediate relief, than that which would be temporarily afforded, by putting further off the evil day; that is, so far as regards the pecuniary embarrassments, which are so universally felt. There is, however, I think, a probability that in some respects a more substantial relief may be expected if we succeed in the accomplishment of measures now in contemplation, and some of which are in progress.

First, then, as a temporary expedient, which, though all special legislation, is as a general thing, regarded as objectionable, seems most generally called for, an amendment and extension of our appraisement law, will, I think, succeed. A bill upon this subject, has passed the Lower House, and been reported to the Senate, which provides for the sale of property, both *real* and *personal,* at not less than two-thirds of its fair market value, to be appraised in a manner similar to the existing law. Three executions from a justice, and two from the Circuit Court, only, are to issue in a year. The Stay Law is remaining as it now is. The need of such a measure is more manifest in this, and the interior part of the State generally, than in the North. Our wheat crops, and the market we found for it the past season, have been our salvation, while in the more southern and interior parts of the State, pork, which is their staple commodity, has not borne a price, which justifies driving it to market, the highest price being from one and a half to two dollars a hundred. This state of things has rendered the condition of the people, in other portions of Indiana, even more intolerable than with us in the North. In many places, a most unrelenting rigorous and oppressive course, in collection of debts, has been pursued, and no remedy, short of legislative interposition, like that above referred to, seems possible to save whole communities from utter ruin. I presume very few in the Senate, whatever may be their political predilections, will venture to resist the passage of the bill.[2]

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[1] Goshen *Democrat,* December 30, 1841.

A bill has also passed the Democratic branch of the Legislature, (the House) and has been reported to the Senate, to *abolish Imprisonment for Debt.* This will also probably pass the Senate, the moral influences of the political regeneration of the past year, being too strong to be safely resisted by the majority of that body.[3]

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[2] The House bill (No. 25) to which Chamberlain refers was finally passed by the Senate and approved. *Laws of Indiana,* 1841-42 (general), pp. 64-67. It provided that no property, real or personal, should be sold on execution for less than two thirds of its value and prescribed how the valuation should be determined and how the property should be sold. It superseded an act of the previous session providing that real estate to be sold under execution should not be sold for less than one half its appraised value. The stay law to which Chamberlain refers had been approved February 24, 1840. It was an amendment to the act of 1838 subjecting real and personal property to execution, and provided that on all judgments rendered in any court of the state there should be a stay of execution of one year after date of judgment and on all judgments rendered by a justice of the peace a stay of eight months. *Ibid.,* 1839-40 (general), pp. 49-51. This law was not altered by this Assembly. See Chamberlain's letters of January 1, 8, and 15, below, for further comments on this.

This "relief" legislation was similar to that passed by other state legislatures at this period. Such laws were held unconstitutional by the United States Supreme Court at its January, 1843, term in the case of Bronson *v.* Kinzie *et al.* which set aside acts of the Illinois legislature allowing stays of execution and providing for appraisement of property before sale on execution and requiring it be sold for not less than two thirds the appraised value. The opinion of the court was printed in full in the Indianapolis *Sentinel* (weekly), March 14, 1843, which also quoted the *Journal of Commerce* which said that this was "perhaps the most important opinion that has been delivered, on a constitutional question, since the origin of our government. It will do more to restore confidence than any legislation. We learn that it has produced a great sensation at Washington, as it will do throughout the country, and especially in those states where valuation, stay, or relief laws have been enacted. All such laws are nullified by this decision. . . ."

[3] Efforts to secure such legislation had extended over many years and were at last crowned with success at this session. The act provided that no debtor should be imprisoned except for fraud, that any person held

A joint resolution has passed, temporarily suspending action upon executions until the more definite action of the Legislature on the subject has time to take effect.[4]

The subject which has principally engrossed our attention for the last week, in the Senate, and the discussion of which has occupied three entire days, is a resumption of specie payments by the banks. The joint resolution, as I introduced it originally, provided for resumption on the 10th January next. This measure I deem of vital importance to our mercantile interests, and consequently, to the people generally. Its effects will be to restore the almost ruined credit of our bank paper, and save our merchants the ruinous exchanges, which, in consequence of its present depreciation, they are compelled to pay. The measure, however, has been resisted at every step, by the whig majority, with the exception of two or three of their number. And on the other hand, on every material vote we have taken, the 22 Democrats of that body, have manfully recorded their names in its favor. If we ultimately succeed, it will be with some modifications of its original features, which we have adopted in the spirit of concession and compromise—that is, resumption on fives on the first of April next—on tens, on the first of June, and on all other denominations, on the first of August.[5]

A reduction of our taxes—a repudiation of our suspended debt, to the amount of some two or three millions, and an exposure of the abuses, by which those who have had the management of our public works, have ruined the State, will also I hope be among the first fruits of Democratic Reform. Of our progress in these labors I shall endeavor from time to time, to keep you apprised.

Respectfully,

E. M. Chamberlain

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in custody upon civil process should have the benefit of the writ of habeas corpus, and that all persons confined in prison by or under any writ or other restraining process in any civil case should be discharged. *Laws of Indiana,* 1841-42 (general), pp. 68-70.

[4] *Ibid.,* 77.

[5] As finally enacted the joint resolution called for the resumption of specie payments on June 15, 1842. *Ibid.,* 83-84. See also above, 333n, and Chamberlain's letter of December 25, below.

Ebenezer M. Chamberlain to Editor Goshen *Democrat*[1]

INDIANAPOLIS, Dec. 25, 1841

DEAR SIR: We have now reached the close of the third week of the session. During the past week, our time in the Senate has been more occupied in legislation of a general nature, than it was last week.—The discussion of my joint resolutions on the subject of resumption of specie payment by our banks, has occupied much less of our time this week, than last; and the resolutions, with some modifications, have finally passed that body (the Senate,) by the decisive majority of 34 to 15. Though resisted at first, by the whig majority, with a zeal that tired not, for three or four days, yet many of them, after full discussion, were constrained to yield, though reluctantly, to the eternal principles of justice, and the well known public will, on that subject. Shrinking, as they evidently did, from the responsibility of longer permitting that institution to play the harlot in the face of day.

Our investigation into the management of our public works, and the interests of the State connected therewith, is engrossing much of our attention. The separate select committees of the Senate and the House, are alternately in session every other evening. And indeed, as often as our duties on other committees, admit it, we are in session every evening. This investigation imposes upon us the most arduous duties of the session.—We have [the committee of the Senate,] hitherto been principally engaged with the renowned Dr. Coe[2]—the *god-father* of the "soap-factory"—the stock-holder in, and active agent of the "Morris Canal and Banking Company," and dupe of the "Pontiac Rail Road," and "Wild Banks" of New York. You are, I presume, already aware, that on the Senate Committee there are three Whigs, and two Democrats; Mr. West, of Marion, and myself constituting that Democratic minority. We commenced the investigation, by putting *direct, specific,* and personal questions to Mr. Coe, being determined to probe corruption and abuses to the bottom. In this course we were at first resisted by the majority of the committee, and suffered every abuse and indignity which Whig insolence could suggest, excepting so far as a tolerably becoming deportment on the part of the chairman was concerned. We, however, fearlessly persisted, and by steadily pursuing this course, finally ferreted out facts which seemed ultimately to justify us even in the eyes of the majority.

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[1] Goshen *Democrat,* January 13, 1842.

[2] The reference is to Isaac Coe, former Fund Commissioner. See Index to *Messages and Letters of David Wallace* for his transactions, and above, 346n, for the committee's findings and recommendation concerning him.

These facts were, *first,* that he, [Coe] had made private speculations upon the State Bonds, though the amount he refused to admit, which refusal even made a bad matter worse on his part—but we expect to prove that these speculations amounted to from ten to twenty thousand dollars. *Secondly,* that he was a stock holder in the "Morris Canal and Banking Company," he refused to admit on the ground that the Committee had no right to inquire into his private affairs, which was tantamount to an admission of the fact, and which fact, can and beyond all doubt will be proved, before the investigation closes. *Third,* that the paper of some of these swindling institutions, for which he was making use of the Bonds and Credit of the State to sustain, was made payable to him, which could but have been intended to give it a fictitious value abroad. Thus the use of his name, and the use of our State stocks resulted in giving fictitious credit to institutions which were thereby enabled the more largely to practice their frauds, in subsequent purchases of our bonds.

To these very operations of Coe, and subsequently of Stapp, and others, who, in their career of folly and villainy, have followed the footsteps of their illustrious predecessor, may be traced the sources of these financial disasters, which have finally burst upon and overwhelmed the State like a torrent.

Fourth, he has refused to admit the amount in which he was, during his operations as Fund Commissioner, indebted to the Morris Canal Company. Thus, though refusing to give the amount, yet, thereby admitting the fact of the corrupting influences under which, the most villainous brokers and swindlers, have thrown their coils around him, to the ruin of the State.

Fifth, we have brought to light a correspondence between

Merrill and Coe, while these transactions were going on, in which Merrill himself, directly charges these corruptions home upon him, and then in return, Coe recriminates Merrill with, being a *fool* and a *knave.*—This, my dear sir, is a very interesting state of things, and promises, from the result of our labors, a rich acquisition to the cause of justice and truth.[3]

These things, I repeat, being the *first fruits* of our inquiries, we have, I believe, disarmed all opposition to a most searching process. . . .

. . . .

Consternation seems to have seized upon the whole whig camp here, and how to throw upon each other a responsibility, of which each of them doubtless should, and with as little doubt must, bear his part, seems to be the end to which all their energies and ingenuity are directed. Stapp and Noble are literally demolishing each other, as their reports of mutual crimination and re-crimination, will show; which, in due season, I will send you. Just so it is with Merrill and Coe. And thus, by the wise dispensations of Providence, the wicked are always, sooner or later, overtaken in their wickedness.

I cannot close this communication, without a tribute of Justice to the merits of Mr. West, Senator from this county.[4] No man in this state has received so great a share of unmerited, and vindictive calumny from the Federal party, as he; and especially from the junto of this place. And to no man, in my humble opinion, in the State, will the people of Indiana owe so much as to him, when time shall have fully developed the importance of the service he is rendering them.

His familiarity with the business and interests of the people generally, and of the State—with the men who have managed till they have ruined our financial interests, and credit—and with the process, every where worked with folly, and indiscretion, to say the least of it, by which, in so short a time, they have wrought such miracles of mischief—his industry, his firmness of purpose, his stern integrity, fit him most admirably, for the highly responsible station he occupies. And if, when in this, *rigid* justice is done him, his calumniators are not utterly forgotten, it will only be because "infamy snatches them from oblivion." Respectfully,

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[3] The interrogation of Coe by the Senate committee is given in the *Report of the Investigating Committee (Documentary Journal,* 1841-42, Senate Doc. No. 6), 192-215, 216-42, 288-99, 483-89, 529-30. The interrogation of Merrill in regard to his negotiations for the loan with the Morris Canal and Banking Company and his relations with Stapp is on pp. 299-307. The interrogation of Stapp in regard to this is on pp. 288-98.

[4] Nathaniel West, Democratic senator of Marion County, who was a member of the investigating committee.

E. M. CHAMBERLAIN

The Board of Internal Improvement to the Senate[1]

INDIANAPOLIS, Dec. 27, 1841

HON. SAMUEL HALL, President of the Senate:

SIR: The undersigned respectfully requests of you the favor to lay the enclosed communication before the honorable body over which you preside.

With high regard, Your obedient servant,

J. L. WILLIAMS

TO THE SENATE OF INDIANA:

The attention of the undersigned members of the board of internal improvement, has been called to a preamble and resolution, adopted by your honorable body on the 22d instant, and in reference to which they feel impelled, by a sense of duty to themselves, respectively to submit the following statements:

The preamble and resolution to which they refer are as follows:

"*Whereas,* The board of internal improvement have continued a most extravagant system of expenditures for repairs upon works which are unfinished, and which can, in all human probability, never be finished nor rendered of any public utility whatever; and, whereas, an unnecessary number of engineers, superintendents, &c. have been employed at high and extravagant salaries, such as is by no means justified by any condition of things now known to exist, and for the purpose of putting an effectual stop to such a state of things as is now known to exist, therefore, resolved," &c.[2]

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[1] *Senate Journal,* 1841-42, pp. 190-95.

[2] On the following day, December 28, the Senate voted to strike out

By the adoption of the preamble above recited, your honorable body has pronounced to the world its deliberate judgment that the undersigned, in the discharge of their official duties, *"have continued a most extravagant system of expenditures for repairs upon works which are unfinished, and which can, in all human probability, never be finished nor rendered of any public utility whatever."* Also, that *"they have employed an unnecessary number of engineers, superintendents, &c.;"* and that such persons *"have been employed at high and extravagant salaries."*

These charges of high official misconduct, if true, must necessarily induce the belief that the undersigned have grossly abused the confidence which has been reposed in them; and being presented to the world endorsed by the Senate of the State, they are eminently calculated to direct the public indignation against those who are thus broadly and summarily condemned.

That the undersigned are at all times amenable to the legislature and to the country for the manner in which their public duties are discharged, they freely concede; but that they should be denounced without proof, condemned without a trial, and held up to the odium of the public without an opportunity of being heard in their defence, is, as they humbly conceive, a violation of those immutable principles of justice by which every tribunal should be governed which sits in judgment upon any citizen of the community.

Being fully confident that the censure contained in the preamble referred to is unmerrited, and believing that your honorable body has been induced to adopt it by a misapprehension of facts, the undersigned would beg leave to submit for your consideration a history of their operations connected with those matters to which the preamble refers.

It will be seen by reference to the annual report of the board, dated 6th Dec. 1841, that the amount paid for repairs during the year, including on each line, the pay of all superintendents is stated as follows:

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the preamble by a vote of 33 to 16. The debate over the matter of striking out is given at some length in the Indianapolis *Indiana State Sentinel,* December 30, 1841.

On the Wabash and Erie Canal from the State line to Lafayette, there has been paid $13,567.32. This canal forms the only thoroughfare for transportation and travel between the Wabash valley and Fort Wayne and thence to lake Erie; and mills have been in operation at various points, the supply of water for which has been provided by the State. That it was the duty of the board to keep it in good repair we presume is not questioned.

On the White Water canal from Brookville to Lawrenceburg, the sum paid for repairs is $3,583.33. This portion of the canal has been used for navigation during the year, and a large amount of water power leased by the State, has been supplied. We cannot presume that the Senate considered it the duty of the board to suffer the navigation of this canal to be abandoned, and the operations of the various mills upon the line to be suspended, by a neglect to keep the work in repair.

On the Indianapolis division of the Central Canal, $1,950 has been expended for repairs. On this division numerous mills and factories are in successful operation, as stated in the annual report, under leases entered into in pursuance of law. A failure to keep the canal in repair would justly have subjected the State to a demand for damages on the part of those who have made large investments in mills and manufacturing establishments, on the faith of her stipulations to supply them with water power.

On the New Albany and Vincennes road $1 300 has been expended for repairs. By an act of the Legislature approved Feb. 22d, 1840, it is required that this road should be kept in repair, both on the finished part east of Paoli, and also on the unfinished part between Paoli and Mount Pleasant; and a superintendent for that purpose was appointed. The undersigned conceive that in making this expenditure they have only obeyed a positive requisition of the law, for which they presume the Senate will not consider them entitled to censure.

On the southern division of the Central Canal, there has been paid for repairs $523 06. The act above referred to, provided for the repairs upon this work, and appointed a superintendent under whose direction they should be made; and it was in settlement with that superintendent for repairs made last year, as directed by an act of the Legislature approved Jan. 20th, 1841, that the greater part of this payment was made.

On the Madison and Indianapolis Railroad there has been paid for repairs, $3,748 16. As the last General Assembly provided by law for the extension of this road to Edinburgh, we presume it can hardly be conceived that the board should have suffered the cars to cease running on the finished part for want of the small expenditure necessary to keep the track in order. But whatever may be thought of the propriety of keeping up the road, in reference to that matter, no discretion was confided to the board. The "act for the protection of the Madison and Indianapolis Railroad and the collection of tolls thereon," approved February 14, 1839, directs the preservation of the road and the collection of tolls, and prescribed the manner in which repairs are to be paid for. Had these positive injunctions of the law been neglected, the board would justly have been subjected to the charge of a gross neglect of duty.

On the Cross-cut canal there has been paid for repairs the sum of $8,803.63. This expenditure was found indispensable to prevent the entire destruction of the Eel river dam, a work which, with the guard lock and extension guard bank connected therewith, had cost the State near sixty thousand dollars, and without which, this canal, if ever finished, could have no supply of water. These repairs were commenced under a previous contract, made in July, 1840. When the acting commissioner on that line first visited this dam, in the month of June last, he found it necessary to continue the work in order to prevent the loss of the dam. The fourth section of the act filed February 15, 1840, generally called the treasury note law, provides for the expenditure of treasury notes for the purpose of securing from dilapidation any portion of the public works. This provision was evidently designed to secure from destruction important and costly structures like the one here referred to, and the board believed the expenditure to be called for alike by their duty under the laws and by the public interest. This view of their duty was confirmed beyond question by the fact that the legislature, at its last session, provided for the completion of this canal, by an act approved January 30, 1841, the conditions of which act the citizens of Vigo county were ready to comply with, so far as it depended upon them. The failure to secure this dam would have been equivalent to an abandonment of the entire canal, on which four hundred and twenty thousand dollars had been expended. A decision involving such important interests the board believe was not within their discretion. And a refusal to make these repairs, they conceive, would have been, on their part, a palpable neglect of duty.

It may be that some portions of the public works should be abandoned rather than that further expense in their repairs should be incurred; but, under existing laws, no power is delegated to the board to determine which shall be abandoned to entire destruction, and which preserved. This high discretion, they humbly submit, can only be exercised by the law-making power.

The repairs here enumerated are all that have been made. For which of them we have been so summarily condemned by your honorable body, we are at a loss to conceive.

On this subject the undersigned would beg leave to state, that the average annual cost of repairs on the Ohio canal, for a series of years, as gathered from official documents, has been two hundred and fifteen dollars per mile, and the Miami canal one hundred and seventy-five dollars per mile. On the New York and Pennsylvania canals the cost of repairs is greater than of those in Ohio. For the past year the expense of repairs on the Wabash and Erie, the Central and Whitewater canals, so far as they have been in use, an aggregate distance of two hundred and seven miles, averages only ninety-five dollars per mile, including the pay of all superintendents. In view of these facts the undersigned, with great deference, submit to the Senate whether the system of repairs adopted by them, can, with propriety, be designated *"most extravagant."*

We have shown that by positive enactments of the Legislature, as well as by the various contracts which have been made by the State for furnishing water power, the undersigned have been left without discretion, in regard to the propriety of the expenditures which have been made; and that those expenditures have been much less than the cost of repairs on similar works in adjoining

States. The Senate, we presume, does not entertain the opinion that roads and canals can be kept in use without expense. Reports have heretofore been made to the Legislature at different times by one of the undersigned, in which the usual average cost of repairs on canals and roads per mile has been estimated at more than twice the sum paid for this purpose during the past season.

While the board have regretted the necessity of this constant expenditure for repairs on works which are yielding but little profit, they have seen no means of avoiding it without abandoning the works to destruction; and they take this occasion to express the opinion founded upon an intimate acquaintance with the subject, that if the canals and roads are to be kept in operation as heretofore, no material reduction can be made in the annual cost of repairs, further than what will result from a change of times.

The second specification in the charge contained in said preamble is that of employing *"an unnecessary number of engineers and superintendents."*

In regard to this charge the undersigned would observe, that they are fully impressed with the belief, that in no case has any individual been employed, whose services were not necessary to the public interest. The correctness of this opinion is corroborated by the fact, that the cost of repairs, including the salaries of all superintendents, is so much below the average in other States.

The third and concluding specification in the preamble, is that these agents *"have been employed at high and extravagant salaries."*

By an act of the Legislature approved February 22d, 1840, for the protection of the New Albany and Vincennes road, a superintendent was appointed on said road with a salary fixed by law at $400 per year. Since the repeal of that law at the last session, the board have paid the superintendent on this road but $150.

By the same act a superintendent was appointed on the southern division of the central canal, with a salary of $200 per year. For the same services the board has paid $150 since the repeal of that act.

The law providing for the assessment of damages to property on the several lines, and for the assessment of damages to contractors for relinquishing their work, fixes the compensation of arbitrators at $3 per day. This standard of allowance has not been exceeded in the paying of any officer or agent, except in one case of a resident engineer, (for which the board are ready to furnish ample reasons connected with the public interests) while a large majority of the persons employed on the public works have been paid much less.

The undersigned could not have supposed that for the payment of compensation averaging considerably less than the sums designated by the Legislature as an equivalent for services less arduous and responsible than those performed under the direction of the board, they would have been condemned by the Senate and held up to the indignant gaze of the country for the payment of *"high and extravagant salaries."*

That their motives may not be misconstrued, the undersigned would suggest that no feelings of dissatisfaction in consequence of the adoption of the resolution by the Senate has prompted this communication of the determination manifested by the Senate to dispense with the office heretofore filled by one of the undersigned, they cordially approve. On all suitable occasions they have expressed the opinion, that in the present suspended state of the public works, a reorganization upon some plan better adapted to the present state of the improvements might be adopted.

It is to the reasons assigned for the adoption of the resolution, as set forth in the preamble that they beg leave most respectfully to object. It is against the principle of condemning without a hearing—of assuming official misconduct without evidence, and without giving those charged an opportunity of explanation—of placing upon the journals of the Senate, charges affecting the integrity of public officers, with endorsement of that honorable body, without an opportunity of disproving them being afforded, that the undersigned feel themselves constrained to remonstrate.

The undersigned have embodied in this communication a history of their operations relative to those matters to which the preamble refers. They would be happy to have instituted by the Senate the most rigid scrutiny into their truth. If upon examination they shall be found to merit the censure of the Senate, they will bear it without murmur or complaint.

As a matter however of common justice they conceive that before a sentence of condemnation, broad and sweeping in its character, and calculated to affect their reputation as officers and men, should be passed against them, the right of being heard in their defence should be conceded, and an opportunity should be afforded of presenting such evidence and explanations as might be calculated to remove the imputations which have been made. Inasmuch however as your honorable body has seen proper to adopt a different course, and as the censure contained in the preamble referred to, has been spread upon your journals, thus becoming an enduring record, the undersigned would respectfully ask that this communication, containing an explanation of those acts which have been complained of, may be placed upon your journals, that the country in making up its judgment upon the sentence of condemnation which has already been passed, may have before it the explanations of those acts which have been thus broadly censured and denounced.

Respectfully submitted,

PHILIP MASON
J. L. WILLIAMS

INDIANAPOLIS, December 27, 1841

Bigger to the President of the Senate[1]

EXECUTIVE DEPARTMENT,
December 27, 1841.

HON. SAMUEL HALL, President of the Senate:

Enclosed I have the honor to transmit to be laid before the Senate, resolutions of the State of Vermont, in favor of restricting the eligibility of the President of the United States to a single term.[2]

I am, sir, yours, Most respectfully,

SAMUEL BIGGER

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[1] *Senate Journal,* 1841-42, p. 147.

[2] The committee on Federal relations, to whom these resolutions were referred, inquired as to their validity inasmuch as they were neither dated nor signed by the proper officers. *Ibid.,* 203.

Report of the House Committee on the State Bank[1]

[December 29, 1841]

The committee on the State Bank,[2] to which the following reports and resolutions have been referred, to-wit:

So much of the Governor's message as relates to the State Bank:[3]

The report of the president of the same:[4]

The report of the same, concerning the authority under which the State became indebted to the Branches:[5]

The memorials of the Branch Banks of Bedford, New Albany, and Lawrenceburgh, respecting that debt:

A balance sheet, showing in detail, the condition of the State Bank:

Reports of their state and condition, by the several Branch Banks:[6]

The report of the commissioners of the sinking fund:[7]

Sundry resolutions of this House, relating to a resumption of specie payments: and

Resolutions proposing ways and means to pay the claim of the Branches upon the State—and,

A joint resolution of the Senate, on the subject of resumption of specie payments and other purposes; has had these various subjects under consideration, and now reports,

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[1] *House Journal,* 1841-42, pp. 223-30.

[2] Ethan A. Brown, a Democrat from Dearborn County, headed the House committee on the State Bank. The two who dissented from the report, Daniel W. Stratton of Wayne County, and Aaron Rawlings of Scott County, were Whigs.

[3] See above, 330-34.

[4] See above, 298-307.

[5] On December 17 the House resolved "That the President of the State Bank be requested to inform the House by what authority of law the State of Indiana became indebted to the branches of the State Bank in the sum of $693,196.40, as stated in his printed report, and also whether the interest upon said sum has been received by the branches, and if so in what manner." *House Journal,* 1841-42, p. 129. Merrill presented a report to the House on December 21, which may have been in response to this resolution. It is not printed in the *Journal.*

[6] See reports of the State Bank and branches, *Documentary Journal,* 1841-42, Senate Doc. No. 5.

[7] See above, 355-58.

That although the balance sheet of a bank affords, in itself, no absolute proof of the solvency of its condition, (belief in the undisguised truth of its exposition, resting in a great degree upon confidence in the integrity of its managers, whose fidelity in this instance, this committee has but scanty means of testing,) the committee, in its researches have no other cause to suspect its solvency, than its long protracted non-payment of its obligations, and the admission of its president, in his report which seems open and candid; and they believe the funds of the State, vested in the stock of the bank, as well as the deposites of the sinking fund and surplus revenue, committed to its care, to be safe.

The report of the commissioners of the sinking fund shows, that the management of their charge has been conducted, in general, with a prudence and discretion, that leaves the commitee no cause for reprehension, in the absence of other information than their report. The losses the State may sustain, in the cases they set forth, will not arise from a want of reasonable vigilance on their part.

Your committee have examined with attention, the communications and resolutions referred to them respecting the resumption of specie payments, by the Branches of the bank, including those requiring an immediate, and those proposing a gradual return to such payments; and also those proposing means to satisfy their claim upon the State. Of the justice of the bank's compliance with its engagements, no doubt can be entertained; and what is unjust can seldom be politic or expedient.

The immediate injury to a community from a bank's refusing to redeem its notes, where they constitute the principal currency, and the aggravation of that injury by a continuance of non-payment, seem to this committee too generally recognised and appreciated, to require a discussion in this place. If the bank be able to meet its existing engagements, as your committee believe, it is their opinion that it cannot resume too soon; if insolvent, it would appear from all past experience, that its protracted struggle for existence will but inflict heavier losses on all whom the force of circumstances compels to use its notes; besides the direct loss which every holder of such notes suffers, when a bank stops payment.

In a conference with the president, he gave the committee to understand, that the privilege to resume payment by degrees, would not be a relief desired by the bank. The committee has accordingly felt itself relieved from entertaining further, the resolutions proposing that expedient; and the question, divested of that proposal, is presented,—Shall the General Assembly enforce immediate resumption, according to the terms of the charter, or postpone exaction of that operation to a future day?

This commitee is decidedly in favor of the former, as being conformable to justice, to the condition of the charter, and to the real and permanent interest of the bank.

The most formidable impediments to resumption without delay, appear to consist in,

1. The accumulation of its notes in two places, beyond the State.

2. The general non-payment of the western banks.

3. The suspension of the debt claimed of the State, by the Branch Banks.

In the view your committee take of these objections, the first of these obstacles disappears, on comparing the immediate means of the Bank with its immediate liabilities.

The general report of the President, in possession of every member of the House, contains a statement of the Bank's resources over and above its liabilities, excepting its capital, to the amount of $3,161,025 34, on the 30th of last October.

The committee refer to that communication in the progress of this report, as a matter of convenience. They have compared it with the balance sheet of the Cashier, referred to them, and find the general result of the comparison to exhibit an improved condition of the Bank, during the month of November, intervening between the respective dates.

Viewing this expose as a fair, candid, and undisguised representation, this committee think no violent shock of an overwhelming demand need be dreaded by the Bank.[8] The only accumulation of its notes, that the report of the President shows him to be apprised of, is $400,000 to $500,000 in each of two cities in other States. Admitting that a demand of specie be made at once, for the whole of these notes, (which is doubtful,) the specie and other funds immediately convertible, making the sum of $1,463,703, will meet the accumulated notes mentioned, and leave near half a million of dollars—more than enough to encounter all other immediate pressure, which the Bank can reasonably apprehend.

The restoration of confidence, that will naturally follow the prompt redemption of its notes, will prevent the speedy return of a very large portion of the others now outstanding, which, the bills of exchange, and discounted notes, exceeding three and one quarter millions of dollars, portions of which are constantly falling due, will absorb, or furnish means to pay, much faster probably, than the notes will be presented; and the committee presume will form ample funds to clear the Bank from all risk of embarrassment.

Though the business of the Bank may be somewhat contracted, for a short period, by a prudent preparation to meet demands, yet the maintenance of restored confidence must, in the nature of things, amply repay it for foregoing a momentary profit.

The committee does not undertake to decide the question, whether banks can derive, for a while, more gain from suspension, than payment; but if this be true, it forms no excuse, and still less justification for the State, as principal stockholder, as well as sovereign, in permitting an institution, in its nature a monopolist, to continue more than four and a half years, with a trifling exception, to neglect its obligations to individuals and the public; and the conditions of the charter to which it owes its existence.

The gain last mentioned, the committee think would seem small to the most selfishly interested banker of capital, who values the credit and permanence of his establishment, and looks beyond a mere trancient advantage.

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[8] See below, 509-10, for Samuel Merrill's comments on the difficulties experienced by some of the branches following resumption of specie payments.

The committee take occasion to say, that they refuse their assent to the propriety of a Bank's making large dividends, while it refuses to pay its debts.

The Committee see no cause so likely to have led to the long suspension of specie payments, as a previous neglect of some of the rules and principles of experienced bankers; especially the avoidance of what is technically termed *accommodation,* being loans, expressed or understood, to be continued for a longer period than a proper basis of their discounts might require or justify—a practice seldom safe for the Bank, or the public, for the obvious reason that the bank notes are payable on demand, and payments, by such borrowers, tardy.

In his report of the 9th of December, 1837, the President showed that he fully appreciated this principle among others of importance, in the business of banking; but whether he has been able to enforce them sufficiently upon the branches, the committee is not enabled to judge from any information in their power, further than as they are led to presume, from his report to the present General Assembly, that the large discounts to merchants, (supposed to mean importers,) may partly be of this description, extended to that class of customers; to whose agency, aided by the suspension, the committee chiefly ascribe the accumulation of the notes of the Bank, in cities of other States; which notes, had they been lent to exporters, would probably have been mostly expended and kept in circulation at home; and your committee think experience has proved, that when such views as he then entertained, are carried strictly into practice from the beginning, a bank, with moderate capital, need apprehend no danger, though surrounded by hostile rivals.

The committee think it will be admitted that a too liberal extension of time in discounts, tends to promote speculation, rather than regular business, to encourage importation of merchandise, rather than exportation of produce, and to induce favoriteism, rather than impartiality.

The President's report of this year, admits that, besides some possible mistakes in granting imprudent loans, too long indulgence has sometimes been allowed to borrowers, by branches. Possessing so large an amount as they have, of discounted notes and bills of exchange, no other obvious reasons than these present themselves to the committee, why so much stress should now be placed by some of the branches, upon the delay of the State, to repay the sums advanced to the fund commissioners; if the inadvertencies, and imprudences above alluded to, by the President, had been shunned. The committee has no data to decide how far they were unavoidable, and therefore abstains from reprehension of the branches' management in this respect. A scrutiny was made of their conduct by a committee of the House of Representatives in the last session, and to their report the committee asks leave to refer.

This committee has found no cause for censure of the Board of Directors of the State Bank for neglecting to correct, as far as in their power and knowledge, all deviation of the Branches from propriety in the foregoing particulars; but on the contrary, believe it has exercised reasonable prudence and vigilance to prevent them; and here the committee take occasion to express their disapprobation of the course of the Lafayette Branch, in setting off the common school fund in its hands, against the interest on its advances for Internal Improvement. The interest so appropriated by that Branch, was a trust fund, which it had no right to divert from its original destination.

In regard to that alleged cause of much embarrassment, the delay of the State to reimburse the Branches, their advances before mentioned, especially that of Lafayette, which delay is intimated to be one chief obstacle to resumption, the committee is aware that doubts have been expressed of the strict legality of that transaction, and have given the subject careful attention.

The letter of the President, in answer to a call on him by the House, at this session, explains this affair in a manner satisfactory to this committee. Under the powers conferred on the commissioners of the fund for Internal Improvement, they were authorized to contract loans, as well with the Branch Banks as others; but this debt arose out of current business, in which the balance might have been expected to incline occasionally to one side or the other.[9]

Branches were employed as disbursing agents; a mode adopted in a neighboring State, with economy, safety and success. The Banks were to advance the payments along the line of operations, and be reimbursed by means of bills of exchange, at sixty days sight. Mutual interest and mutual convenience, might justify an advance before the bills were put into the hands of the Bank; and this, without prejudice to their respective funds, could be compensated by an earlier delivery of the drafts on a subsequent occasion—such, the Banks are represented to have expected—their money was expended in the service of the State, without warning of a probable disappointment; and when the re-payment became necessary to them, the fund was exhausted. Your committee feel bound to recommend the claim to the Legislature, not only as an act of justice in itself, but of policy, in depriving the Bank of the pretext, whether well or ill-founded, that this debt forms one of the principal impediments in the way of its resumption of specie payments.[10]

. . . .

The remarks of the Governor, in his communication concerning the bank, have received from your committee the attention due to the high functionary from whom the House received them, and while they entirely concur in most of his judicious observations—particularly in his advice to proceed with caution in our course towards an institution, in whose stock the State has a deep stake, and whose credit and transactions so deeply affect the people—they very respectfully observe, that if the act of forcing an insolvent bank into liquidation may distress the debtor, by depreciating the notes he may hold, the failure of the bank may equally injure his creditor to whom he may have paid them before the bankruptcy became known. If such debtor owe the bank, its notes in his possession will avail to the full nominal amount; if he must purchase them for that, or any other purpose, he may obtain them for a price less by all the amount of their depreciation. The committee believe that honest bankers driven to insolvency, can gain little by indulgence, while the public is most likely to be injured by forbearance towards a broken money corporation.

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[9] For action of the Assembly in regard to paying the state debt for internal improvements owing the Bank, see above, 331n.

[10] For action of the Assembly in regard to specie payments, see above, 333n.

Your committee has reviewed the joint resolution of the Senate, with the attentive care demanded by a resolution of that respectable body, but have not arrived at the conclusion that it ought to be adopted. The provision it contains for a graduated resumption, (not considered by the President of the State Bank as a desirable alleviation from pressure on that institution, as mentioned in a former part of this report,) may be construed to admit by implication, a doubt of the bank's ability; and for these reasons the committee cannot advise a concurrence of the House in this measure. The plan proposed by the resolution of settling the State's debt to the Branches by Treasury notes, appears to the committee exposed to serious objections. Apart from constitutional scruples which have great weight with [a part of] the committee,[11] they believe the effect would be injurious to the public interests, and unprofitable to the bank, by reason of that acceleration of the depreciation, already great, which such an addition to this outstanding debt would cause. The only existing provision for their redemption, (and no other of considerable importance has been proposed) is their reception in the collection of taxes; and the committee has not been informed that the amount of the former issues taken up by the collectors, this year, has raised the value of the paper as a currency. If the further depreciation of it should be rapid, in consequence of the additional supply, the emission proposed will operate as a grievous tax on the community, to the full extent of that depreciation—a tax the more objectionable, as it must necessarily fall unequally.

After much deliberation, the committee has concluded that it will be expedient to pay the claim of the Lafayette branch, $189,270 21, and that of the branch at Fort Wayne, $54,661 60, together with $243,931 81, by an appropriation out of the

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[11] See above, 331n.

400,986 dollars and 16 cents due to the State on the 18th of last month, for canal lands sold east of Tippecanoe river, and chargeable to that fund for advances to the Wabash and Erie canal. The above amount, 243,931 dollars and 81 cents appears to the committee properly reimbursable out of the 400,986 dollars above mentioned, considering that the money due to those branches was expended upon the canal above mentioned; which, deducted from the sum of the whole debt, will leave 449,264 dollars and 59 cents due to the other branches; which the committee propose to provide for by appropriating an equal amount of the loans of the sinking fund and surplus revenue, which the commissioners of the sinking fund report to be 746,858 dollars and 35 cents—unincumbered, as the committee is informed, by any appropriation or trust: and the committee are of opinion that plain considerations of policy recommend its application to discharge the debt, as they propose, in preference to an investment of it in bank stock, in the present state of the country, and of the bank.

Your committee, in submitting the foregoing facts and reasons to the House, ask leave to recommend the passage of an act providing for the payment of the debt to the bank, out of the means they have suggested; and for requiring the Governor to order a scire facias to issue against that corporation, to show cause why its charter should not be forfeited, in case of its further suspension of payment, after the payment of that debt shall have been adjusted, upon the principles proposed: and for those purposes report a bill.

Adopted by the committee.

Messrs. Stratton and Rawlings dissenting.

Ebenezer M. Chamberlain to Editor Goshen *Democrat*[1]

INDIANAPOLIS, Jan. 1, 1842

DEAR SIR: With this, the first day of the year, closes the fourth week of the session.—The principal subjects which have occupied our attention during the past week, have been the repeal of the State board of Equalization—the two-third valuation law—the bill for the extension of the Wabash and Erie Canal, from the mouth of the Tippecanoe to Terre Haute, by an application of the lands, for that purpose appropriated by Congress—and the abolishment of Imprisonment for Debt.

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[1] Goshen *Democrat*, January 13, 1842.

A State Board of Equalization, legislated into office, to assemble here, one from each judicial circuit, to review the appraisement of real estate in each county, which has been made by the sworn officer in each county, appointed for that express purpose, can hardly promise results sufficiently beneficial to the people, to counterbalance the great expenses with which the discharge of their duties must be attended; and the chances, that after all, their acts might be less judicious than those of the county officers, by whom these duties have already been performed. As, for instance, how much more would Gen. Orr, of Laporte, who is a member from our circuit, be likely to know of the value of land in Elkhart and Kosciusko counties, than citizens of those counties, appointed specially for that purpose? These considerations, connected with that of the great expense to the State, which must attend the discharge of the duties of the Board, which is required to convene at this place, are sufficient in my opinion, to not only justify, but demand its immediate repeal. A bill for this purpose has passed the House, but it will probably fail in the Senate—there being in this body still a majority of those with whom this *office creating* act, was part and parcel of the favorite, yet extravagant legislation of last winter.[2]

Much of our time for the past week has been taken up with the different *relief* propositions as they are called. The question is, whether it should be a stay law of one and two years, or a two-thirds valuation law, of real and personal property, to be sold on execution; or both of these propositions combined.[3] The two-thirds valuation law, above named, has passed the House, and, as above stated, has, for the past week been before the Senate. It has elicited much discussion, has undergone several amendments, and, though it has not yet passed, yet I think the clear result of our labor has been a decided gain in favor of the valuation project, to the exclusion of both the others. I have from the first, been opposed to an extension of the Stay law, both as a separate proposition, and as combined with the other; and I think there is no ground of apprehension, that the stay law will be altered in any manner whatever. The provisions of the valuation bill, I think, are probably as favorable to all parties, and as perfect as such a measure can well be made.

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[2] Neither this original House bill (H.B. 10) nor one of the Senate (S.B. 1) passed, but a third bill (S.B. 83) was approved on January 13, 1842, repealing so much of the revenue law of the preceding session as created a State Board of Equalization. *Laws of Indiana,* 1841-42 (general), p. 126. See also above, 264n-66n, and Chamberlain's letter of January 8, below.

[3] See Chamberlain's letter of December 18, above, 360-61n.

Whether our people wish any alteration of the laws on this subject, is a matter about which I have entertained some doubt, but the certainty that one or the other of these measures would be adopted, determined me in favor of the valuation measure, as altogether preferable to the other, and more especially preferable to a combination of the two. One of its most indulgent features to the debtor portion of the community, and which will doubtless be more objectionable to creditors, is that which provides that no more than two executions from the Circuit Court, and three from a Justice of the Peace, shall issue in the course of a year. This feature, I apprehend, cannot be altered without endangering the adoption of a much more objectionable measure.

. . . .

The all-absorbing question of abolishing imprisonment for debt, has been also acted upon in the Senate during the last week. It originated in the House, and yesterday it passed the Senate, but with some amendments, in which the House may or may not concur. Whether they do or not, the measure beyond all doubt, will, in some form succeed. At any rate, for the sake of succeeding in the measure, I shall be willing to vote for the bill of the House, deeming mere questions of detail as matters of minor importance.

We are almost every evening still engaged in our investigations. Stapp's report, in answer to Noble, is, I understand, now ready, and when before us, will perhaps aid us in lifting the veil, which has so long shrouded the financial affairs of the State in mystery.

The House has passed a resolution to adjourn *sine die,* the last of this month, and the Senate will doubtless concur—which will make the shortest session for many a year. Long enough, in all conscience.

Very Respectfully,

E. M. CHAMBERLAIN

Ebenezer M. Chamberlain to Editor Goshen *Democrat*[1]

INDIANAPOLIS, Jan. 1, 1842

DEAR SIR: From letters which I have received by this evening's mail, as well as from your paper of the 23d December, I learn with surprise that much excitement prevails in our region, in consequence of measures which it seems to be apprehended, the Legislature has adopted, or will adopt. Amongst these, a two years stay law seems to be the principal cause of alarm.

The session is now half expired, and this is the first intelligence of any description, I have received from my constituents. And surely, when my eyes first beheld it, I stood for a moment, wrapt in the profoundest astonishment, and, for a while, doubted my own senses, pondering in utter amazement, and striving to recall, if possible, a consciousness of the *damning deed* which had so suddenly, so unaccountably, and, for aught I could discover, so irrevocably, lost me the confidence even of my friends.[2]

"Unqualified disaprobation;" "intense excitement;" "particularly chagrined;" "numerous petitions;" "remonstrating in strong terms;" "repudiated by an immense majority;" "disorganizing and revolutionary;" "destructive to the interests of all classes;" "death blow to enterprise;" and "particularly oppressive upon the poor." Flaming notices and POSTSCRIPTS! All these from the quietly disposed people of Elkhart county, and I, one of the culprits, who had to account for such a catalogue of sins!—Great God! Whether to cut my throat or make my escape for Texas, seemed to me the only choice of alternatives.

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[1] Goshen *Democrat,* January 13, 1842.

[2] The *Democrat* of December 23 had reported that a large majority of the people of Chamberlain's district were decidedly opposed to an extension of the stay law. They regarded the measure "as disorganizing and revolutionary, as destructive to the interests of all classes, as a death blow to the enterprise and credit of the country, and as particularly oppressive upon that class of men, the poor, it pretends to protect." In their opinion it should have been adopted earlier; now it was too late. "The crash is over—men are recovering from their embarrassments by a reliance upon their own energies, and without the aid of these temporising remedies." On January 5 Chamberlain introduced a petition from citizens of Elkhart County against a two-year stay law. However, on January 24 he introduced another petition from that county praying an act for the prevention of the collection of debts. *Senate Journal,* 1841-42, pp. 278, 510.

However, after partially recovering from my astonishment, I concluded that before proceeding to extremities, I would try to take a *cool survey* of the past, and see, after deliberately weighing all the deeds, for which I had this fearful account to render, whether I could calmly look responsibility in the face.

The *facts* relative to the course I have pursued, I shall state, and wish this communication laid before my constituents, in order that they, "friends and foes," may judge.

It is well known that my own opinions are decidedly opposed to *special legislation,* on any subject, and nothing but a pressing emergency would, or can in my judgment, justify it. But in legislation it is quite idle for one man to express his opinion as an index to what others may think or do. I found, immediately on my arrival here, and from that time have been every day more and more convinced, that some *relief law,* as it is called, would pass, either a great extension of the stay law, or a two-third appraisement law. Between these two measures, I did not hesitate as to my choice and concurred precisely with Gen. Mitchell, in opinion, that although the subject had not been much agitated among our constituents, yet of the two measures, we doubt not, that the valuation law would be the choice of the people of Elkhart.

Under these circumstances, I have given my support to the valuation law, which is yet pending before the Senate, (it having some time since passed the House) and the result of the contest between the two measures, is, or will be found to be the result of a *false alarm.*

The *Stop Law,* as it is called, as a mere temporary affair, which perhaps, may not ruin any one, while it *may save some,* owes its existence to the following circumstances: The certainty of the passage of a long stay, or a two third valuation law, seemed all at once, and at every point within hearing of this place, to be made the pretext for the most merciless exaction of every cent of money that by force of law, could be wrenched from the people before any such law could take effect. Complaints of every kind came in, and the most piteous stories of sacrifice and ruin. Valuable horses, in some instances, absolutely sold on execution, for a less amount than would pay the cost of a small judgment. To protect the great mass of community from consequences of this state of things, the joint resolution was introduced into the Lower House, passed that body, came to the Senate, and every Senator who lives within the reach of the voice of his constituents, urged its immediate passage, from a knowledge of facts like the above. Acting upon the convictions which these facts produced, I could not find it in my conscience to oppose the measure, especially as it was but mere temporary—and contented myself with proposing such amendments for the protection of officers and parties, as its manifest imperfections pointed out. *And thus it passed.* If *wrong,* I shall sincerely regret it. If *right,* I am in no wise entitled to any merit for its adoption.[3]

Very Respectfully,

E. M. CHAMBERLAIN

William B. Mitchell to His Constituents[1]

INDIANAPOLIS, Jan. 1st, 1842

TO THE CITIZENS OF ELKHART COUNTY

The first indication of public opinion, on the part of my constituents, since the commencement of the session, has been received

[3] This joint resolution postponed or suspended sale of personal property under execution until after February 1, 1842. *Laws of Indiana,* 1841-42 (general), p. 77. As noted above, 361n, the Assembly also passed the bill referred to by Chamberlain providing that real and personal property could not be sold on execution for less than two thirds of its assessed valuation. *Ibid.,* 64-67. See Chamberlain's letter of January 8, below.

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[1] Goshen *Democrat,* January 13, 1842. Mitchell, a Democrat, was serving as representative from Elkhart County. In 1842 he was elected to the Senate from Elkhart, Kosciusko, and Whitley counties. Another from him, dated December 30, appeared in the same paper but has not been reprinted here.

to-day, relating to the various measures of *relief* which have been agitated in the present Legislature. Previous to my leaving home, this subject had not been discussed by the people; but, in the absence of all instructions, I formed an opinion on these matters, which I have not discovered any sound reason to change.[2]

In order to a correct understanding of the motives which have actuated me in the course I pursued, it may be necessary to go somewhat into detail. At the commencement of the session, the almost universal clamor for relief poured in from a very large portion of the State, and it was quite evident that some measure to restrain the ordinary process of collections, would pass; and there appeared great danger that the friends of these measures were indisposed to give them that cool and deliberate consideration which matters of so much importance, imperiously demand. For the purpose therefore of producing more deliberation in the Legislature, and also, because the opinion had become prevalent throughout the State, that some law restraining collections would pass, which would cause judgment creditors to press, with unrelenting vigor, the collection of their debts, to the ruin of honest and struggling debtors, thus taken by surprise, it was thought best to pass a *temporary* stop law, extending to the first of February, and no longer.[3] The public mind, as well as a majority of the Legislature, being thus appeased for the moment, deliberation and reflection resumed their place. Two measures of relief then presented themselves—a Stay Law, interdicting all sales of property for a period of eighteen months or two years, or any Appraisement Law, requiring property to sell for two-thirds its fair standard value, with restrictions as to the number of executions which may issue in each year. Although there are many provisions in the latter bill, as it passed the House of Representatives, of which I cannot fully approve, yet, as it was entirely manifest that one or the other of the proposed measures would prevail, of two evils I chose the latter, believing that a general stay law, as proposed, would be odious to my constituents, and highly prejudicial to the best interests of the whole community. This has been my course, and, with all the circumstances which surround us here, being properly understood by the people, I most cheerfully submit to their judgment, whether I have been right or wrong. Respectfully,

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[2] On January 6 and 10, Mitchell introduced remonstrances from citizens of Elkhart County against passage of a stay law. On the 17th he presented a petition from that county praying the passage of an act "repealing all laws for coercing the collection of debts, &c." *House Journal,* 1841-42, pp. 306, 339.

[3] For the joint resolution providing for a temporary stay of execution, see above, 387, note 3.

Your obedient servant,

W. B. MITCHELL

Ebenezer M. Chamberlain to Editor Goshen *Democrat*[1]

INDIANAPOLIS, Jan. 8th, 1842

DEAR SIR: With the close of the glorious 8th,[2] the fifth week of our session closes. Early in the week the two third valuation law was reported back from the select committee of the Senate, to whom it had been referred, with some amendments of its details, as it came up from the House; and with these amendments it passed the Senate. One of these amendments, proposed by me, is that the execution defendant might retain the possession and use of his personal property levied upon, by executing to the officer a delivery bond conditioned, to render the property to the officer at the time and place of sale; or that in the meantime he might sell the property at private sale, at not less than two-thirds its appraised value, provided he should apply the proceeds to the payment of the judgment under which it was levied on. If this provision does not prove highly beneficial to both parties, I shall be much mistaken in its operation. In view of the fact that the time executions have to run, is considerably lengthened, a great part of the personal property of the country would remain in almost a perpetually suspended and inactive state, under execution. From this consequence the delivery bond relieves it. While at the same time, for the benefit of the creditor, and debtor also in fact, its other provisions afford the latter an additional opportunity and *inducement,* to dispose of it to the best possible advantage for both.—While on the one hand, he cannot squander it away, or defraud his creditor by fraudulently disposing of it, at less than two thirds its appraised value, he is on the other, left at liberty to improve any opportunity which might occur, of disposing of it to better advantage, than it would be likely to sell under the hands of the officer. This law goes into effect every where, throughout the State, in ten days after it is approved by the governor. This is to give the people time to be apprised of its being in force; and in order to avoid any unnecessary delay, it goes into operation before the expiration of that time, in each county on there being a certified copy filed in the Clerk's office. The "ten days" provision is to guard again any accident or collision on the part of interested persons, by which its transmission or filing in the Clerk's office might be delayed.

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[1] Goshen *Democrat,* January 20, 1842.

[2] The reference is to the anniversary of Jackson's victory at New Orleans which the Democrats always observed.

I suppose the intention, and probably the necessity of the temporary interposition of what is called the Stop Law, is obvious to every one.

The stay law has not been, and I think will not be meddled with. I received your petitions from our county, on these subjects, and presented them to the Senate. Not in time, however, to be of any other service than to afford me the satisfaction of knowing, that I had fully and correctly, anticipated the wishes of my constituents.[3]

Bills, abolishing Imprisonment for debt, have passed both branches of the Legislature, but there is not yet a concurrence between the two.[4] The bill of the House, which was specific and single, in its terms and proposes leaving matters of detail relative to writs of *ne exeat,* and cases of fraud generally, to be arranged by other acts upon these subjects, and which the minority of the Senate have sustained as the most appropriate course, was so amended, mystified, and murdered, by the majority of the Senate, (and when I speak of *the* majority of the Senate, I speak politically,) that the House would not concur in these amendments. And the result must be a committee of free conference; and I apprehend the defeat of the measure.

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[3] See above, 361n.

[4] See above, 361-62n.

Our suspended debt, of which we have at length ascertained the precise description, No. &c. of the Bonds is more than *Three Millions.*

The repudiation of the whole of which, a pretty large minority of the Judiciary Committee, myself among them, are ready to report to the Senate. Others of the committee are influenced by various considerations—some think it a desperate step, and one on which they do not like to hazzard their popularity. For one, prudential considerations, like these, have no influence on my action—I know it is righteous and just to our people, as it is to the scoundrels by whom, and the fools if not scoundrels, through whose instrumentality, as our public agents, we have been plundered, robbed, and ruined! And to these considerations alone do I look, as the guide of my course.

As connected with this subject, propositions are pending to dispose of some of our public works to *companies.* A bill thus to dispose of the White Water Canal, passed the Senate yesterday. And the particular feature of this bill, to which I look with no small degree of pride and triumph, as strictly a matter of political principal, is the REPEALING CLAUSE, which, as an amendment, I reported back from the committee on corporations. With this provision, leaving the charter subject to amendment or repeal, at the pleasure of a majority of the Legislature, it passed the Senate. This, I call a pretty large concession to the principles of Democracy; and when compared with the result of similar efforts in 1836, the first session of which I was a member, it shows that the principal is rapidly progressive.[5]

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[5] This provision (section 24 of the act to incorporate the White Water Valley Canal Company, *Laws of Indiana,* 1841-42 [local], pp. 37-45) read thus: ". . . the charter hereby created may at any time be amended, revised or repealed by any subsequent legislature, a majority of both Houses concurring therein . . . ," followed by certain provisos concerning repayment of the company's investment if the charter was repealed. The Governor issued a proclamation on August 18, 1842, stating that the company had been organized in accordance with the act and that the interest of the state in the whole length of the canal from the Ohio River to the National Road had been transferred to the company. The proclamation is in the Whitewater Canal Correspondence, Archives Division, Indiana State Library.

To-day I presented to the Senate a bill for the organization of the militia into Independent Companies, and had it referred to the standing committee on the Militia. I hope something may be done to raise our militia system from its present totally prostrate condition. Nine tenths of our young and middle aged men, would take pleasure and pride in the performance of military duty, if it could but be made a matter of voluntary emulation, and what it should be—a *patriotic,* instead of a compulsory and disgusting duty.[6]

The Senate had reciprocated the resolution of the House, to adjourn *sine die* on the 31st inst., which will make a session of eight weeks—the shortest with which the State has been recently blessed.

We have legislated TEN Whigs out of office, who were specially provided for by the office-making legislation of last winter; having, after a pretty severe and protracted contest, between the two houses, unconditionally repealed the law creating that most aristocratic body, and worse than useless *board of sinecures* called the State Board of Equalization.[7] The Whig majority of the Senate, however fought most desperately for their brethren, who had been thus legislated into office, by this most arbitrary and expensive provision; but two or three of them finally voting with us under instructions, we were enabled to relieve the people from the cost and curse of the measure. I have set down their number at *ten.*

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[6] A new militia law was enacted authorizing those men liable for militia duty to organize independent companies. *Laws of Indiana,* 1841-42 (general), pp. 93-97.

[7] According to the act of 1841 creating the board, the members were to be elected by joint resolution of the General Assembly. The resolution, dated February 15, 1841, named the following: 1st judicial circuit, John H. O'Dell, Montgomery County; 2d circuit, William Graham, Jackson County, 3d circuit, Pinckney James, Dearborn County; 4th circuit, Samuel Connor, Perry County; 5th circuit, Alexander Worth, Morgan County; 6th circuit, William Frame, Rush County; 7th circuit, John R. Porter, Vermillion County; 8th circuit, Marshall S. Wines, Allen County; 9th circuit, Joseph Orr, La Porte County; 10th circuit, Andrew Evans, Owen County; 11th circuit, William Vanmater, Delaware County. They were to receive $2.00 per day while employed in the discharge of their duties, and $2.00 for every twenty-five miles of travel to and from the seat of government. *Laws of Indiana,* 1840-41 (general), Sec. 15, pp. 8, 45.

There were originally *eleven,* but one of the gentlemen most unfortunately got into the Penitentiary last summer, for forgery, and having since been reprieved by his Whig friend, the Governor, has sloped for Texas.[8]

We are every evening engaged with our investigation.[9] The duties of the committee are most arduous. But although so artfully have these *arch* swindlers managed their affairs, in many instances, as almost to preclude the possibility of arriving at the whole truth, yet I think, enough will be elicited, fully to compensate all the labor and expense attending it, to say nothing of other results, merely in the melancholy satisfaction of knowing the cause and the process of our ruin. Being one of the committee, I do not wish to forejudge any man's case, but as our investigations are all public, there is no impropriety in speaking of actual results.

We have probably concluded all the testimony in the case of the renowned Dr. Coe, and the amount of the State loss by him, directly and indirectly, is, in fact, incalculable. He has been a director in the Staten Island Co., by which we have lost an immense amount, and a stockholder both in that and the Morris Canal Co., which accounts largely for the deplorable results of our negotiations. And in his speculations in State stocks, through the medium of his official agency, the profits of his operations in one instance, were ten thousand dollars. I think the Doctor will find his case pretty well *cured.*

If you have seen Noble's report, you will concur in his opinion, of the rascality and folly of Stapp. And even Stapp admits that he is a fool, though he yet insists, that he is not so great a rascal as some suppose.

And as for Noble, when you see Stapp's report, and are made acquainted with the results of our investigations, you will be satisfied that Noble is about as deep in the mud, as Stapp is in the mire—altho' from the watchfulness and faithfulness of the *trained* legion, which forms his body guard, it is much more difficult to ferret out the truth. And, as an example of the barefaced affrontery, with which, from long custom he dares attempt to use men, I will give you an occurrence before the committee, and that in presence of probably a hundred witnesses. We hold our sittings in the Senate chamber. Noble was implicated by certain interrogatories put to a witness, and the answers were not exactly such as to leave him standing in a very favorable light. By way of exculpation, he was, at his own request, permitted to put certain questions to the witness. No sooner were his questions propounded, and the witness commenced writing out his answers, than Noble starts for an adjoining committee room, and took the witness with him. The glaring impropriety of this move, induced me to lay before the committee, the following resolution:

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[8] Andrew Evans of the 10th circuit had been found guilty of forgery at the July term of the Owen County Circuit Court for which he was fined one cent and sentenced to two years' imprisonment. Governor Bigger received a great number of petitions for his pardon (including some from judges and jurors in the trial) citing Evans' hitherto excellent record as a county official and the fact that two of his supporting witnesses were not present at the trial. Pardons and Remission of Fines, Archives Division, Indiana State Library.

[9] Of Fund Commissioners. See above, 343-46n, 363-66.

"*Resolved,* That in the opinion of the committee, it is highly improper, while a witness is preparing answers, to the interrogatories of a party, in reference to a matter in which he is implicated, for them to hold private conference together."

The Chairman put the question on the adoption of the resolution. Mr. West and myself voted in the affirmative, and it was adopted by the casting vote of the Chairman, and the Sergeant at Arms was sent with it to be laid before the gentlemen in *conclave.* The occurrence, as you may well suppose, produced no little sensation among the by-standers.

I think we are on the track of disclosures, relative to operations at the "deep diggings," and other parts of the Madison Rail Road, and still other portions of our public works, [in] which Noah Noble and Jesse L. Williams have been figuring, which will render more plain certain matters, which hitherto have been somewhat mysterious.

Whatever may be the result, the people shall in due time know it.

Very Respectfully,

E. M. Chamberlain

Ebenezer M. Chamberlain to Editor Goshen *Democrat*[1]

INDIANAPOLIS, Jan. 15th, 1842

DEAR SIR: We have now been in session six weeks, and nothing will prevent our adjournment on the day fixed, [the 31st inst.,] excepting the possibility that we may not get through with the arduous duties which devolve on the committee of investigation. The ordinary business of legislation, whether for good or evil, is already well nigh disposed of, and as a general thing, is characterised with more rational and practical views, than has been the case at any session for the last six years, so far as I can judge. There has been, to be sure, as is usual, much that is visionary and merely demagogical proposed, but the inclination of members to listen to, and act upon political, prudent, and common sense principles, has been, to an unusual degree, manifested. And I must be permitted to make another remark, without intending to cast aspersions upon considerate political opponents; and that is this—there has been throughout, a more manifestly liberal, forbearing and courteous spirit inculcated by the evidently prepondering Democratic influence, of the present session, than I have on any occasion witnessed, when the Federal influence had the ascendency, and more especially, in comparison with the high handed insolence, and heartless political despotism of the last session. That spirit, so favorable to prudent and discreet legislation, I have endeavored uniformly to cultivate, and it gives me much pleasure to say, that in most instances, with our political opponents, it has been heartily reciprocated. Yet on all suitable occasions, my political friends may be well assured, I have not modified, abated, or blinked, an uncompromising determination to meet and look steadfastly in the face, every threatened or apprehended infraction upon the political principles, which with me are held sacred.

Among the most prominent measures which, during the past week, have occupied our attention, as the result of a committee of free conference between the two houses, a law abolishing imprisonment for debt has passed—the two houses differing, in the first instance, in the details of the bill. Since the passage of the two-third valuation execution law, as well as before, we have hardly ceased to be annoyed with propositions for the extension of the Stay law, it being the favorite measure in some portions of the State, and, indeed, many being in favor of blending the two. As late as day-before-yesterday, an increased stay law project was before us, and though the majority was not very large against it, yet we succeeded in indefinitely postponing it, which I hope, will be its final quietus.[2]

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[1] Goshen *Democrat,* January 27, 1842.

There has, during the past week, been no little excitement in the Lower House, on the subject of a repeal of the law of last winter, gathering up from circulation *among the People,* and throwing into the harlot lap of the Bank, the surplus revenue, the college fund, the saline fund, and the State Bank school fund —an act more characteristic of Bank servility, and disregard of the popular interest, than any other federal measure by which the people have been outraged for many a year.[3] After two days of angry discussion, which had given the Whigs a full opportunity of saying as many *loyal* things in favor of the Bank as they could wish, the Democrats, in order to save a further waste of time, and to press with all becoming promptness, so important a measure, moved the previous question about seven o'clock in the evening. Then burst forth a tornado of wrath and fiery indignation. The Whigs sprung to their feet and breathed *vengeance*— The Democrats sprung to their feet and breathed *defiance.* Fists, chairs, and some say dirks, were drawn. Many of both parties mounted their desks, some with an effort to restore order, but more to start their companions to the combat—while "O.P.Q." deeming discretion the better part of valor, raised his voice in favor of bolting, to break a quorum. But in this effort, he failed to raise even a corporal's guard. And, unless a retreat gives a good guarantee of ultimate victory, I glory even in an enemy in that indomitable spirit, which decides rather in favor of battle than flight. So in this case, with the above exception of *part* of a corporal's guard, both parties manfully stood their ground. The Speaker's voice was lost in the louder vociferations of angry antagonists, and the sound of his mallet, which, at all other times had commanded silence, lost its omnipotent control. After much exertion on the part of the friends of order, tolerable order was restored, and every effort of the Whigs to adjourn or in any other manner to stave off further action, proving unavailing, the measure was carried by nearly a strict party vote, late in the evening. This occurrence gave the order-observing, law-abiding, and peace-loving Whigs, an opportunity of talking much about GAG-LAWS, and especially because during a two days discussion, Marshall, that "sleeping lion" of their party, either from want of inclination, or probably because the game was too small for his imperial attention, had not taken occasion to show his prowess. The Democrats, seeing the subterfuge, the next day voluntarily consented to a reconsideration of the vote, and Ned Hannegan, very significantly shaking his finger at Jo Marshall, challenged him to debate. The result of which was, that the motion on the passage of the bill being again put, it again passed and to-day was reported to the Senate, where the Whigs having a majority, it will probably fail, and the interests of the people be still longer compelled to yield in subserviency to bank influence.[4]

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[2] *Senate Journal,* 1841-42, p. 356.

[3] The act provided for the vesting of these funds in bank stock. This act also allowed the State Bank to issue small notes, a measure that was demanded because of the prevalence in the state of the small notes of other states. *Laws of Indiana,* 1840-41 (general), pp. 192-96.

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[4] *House Journal,* 1841-42, pp. 362-66. The vote in the House was 52 to 44. The bill passed the Senate and was approved January 31. *Laws of Indiana,* 1841-42 (general), p. 85. The portion of the originial act allowing the bank the privilege of issuing small notes was not repealed.

Other comments on this debate that are available include those of the *Indiana State Sentinel* (issue of January 17), which reported: "A scene beggaring description! It seemed for a few moments as if the Bank men had become possessed with the spirit of the first born Cain. . . ." "Never before has Bank influence stalked into the halls of legislation so unblushingly, and, in tones of defiance and command, demanded submission to its audacious behests. . . ."

The *Indiana Journal* of the same date accused the Democrats of wanting to create an issue between the Bank and the State, in order to draw the attention of the people away from the "deformities of Locofocoism." Instead of coming out manfully and above board to show that the circulation of small bills should be suppressed, they were trying to effect their object indirectly by proposing to repeal the law under which the

We shall be compelled to close our investigation into the conduct of the managers of our public works, in a day or two, as the session is drawing to a close, in order to give time for Legislative action on our report, of the result and nature of which I shall be enabled more fully to speak in my next communication.

Very respectfully,

E. M. CHAMBERLAIN

Bigger to the House of Representatives: Veto Message[1]

EXECUTIVE DEPARTMENT,
January 22d, 1842.

GENTLEMEN OF THE HOUSE OF REPRESENTATIVES,

The act entitled No. 146, an act to provide for opening and repairing public roads and highways in the counties of Gibson and Pike, which originated in the House of Representatives, is returned, with the objections I entertain against its becoming a law.

The tenth section of the act provides, that all laws and parts of laws requiring a road tax on the lands of residents, in said counties, or coming within the purview of this act, are repealed, so far and so far only, as relates to said counties.

By reference to the act of which it in part repeals, it will be found that no distinction is made in levying a road tax between resident and non-resident lands. This repealing clause, therefore, leaves non-resident lands alone subject to taxation in those counties, for road purposes.

The ordinance of Congress, adopted July 13, 1787, for the government of the territory of the United States north-west of the river Ohio, contains several articles, which are declared

bills were issued, under the pretense of keeping the surplus revenue and other funds from being diverted into bank stock.

The Greencastle *Visiter* (issue of January 27) said the "previous question" was called to prevent Joseph G. Marshall from speaking. On the motion to reconsider the vote on the bill, when Marshall took the floor and in a "withering manner" ridiculed the arguments of Hannegan, so many people crowded into the House Chamber to hear him that the Senate had to adjourn.

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[1] *House Journal,* 1841-42, pp. 517-18.

articles of compact between the original States, and the people and States in said territory, and shall forever remain unalterable, unless by common consent.

The act of Congress of April 19, 1816, providing for the admission of Indiana into the Union, declares that said articles shall be irrevocable, except so much as relates to state boundaries.

By an ordinance passed by the convention which framed the Constitution of Indiana, on the same day on which said Constitution was adopted and signed by the delegates to said convention, and which ordinance was passed in compliance with said last mentioned act of Congress, it was ordained that the propositions of Congress as contained in said act were accepted, and that the provisions of the ordinance adopted by said delegates should remain forever irrevocable and inviolate, without the consent of the United States in Congress assembled.

The preamble to the Constitution of Indiana recites that the people of the territory have the right to admission into the General Government as a member of the Union, consistent with the Constitution of the United States—the ordinance of Congress of one thousand seven hundred and eighty-seven, and the act of Congress "to enable the people of the Indiana territory to form a State Government," &c.

The 4th article of the said ordinance of 1787 contains among other things a clause that, in no case shall *non-resident* proprietors be taxed higher than *residents.*

As there is no law of Congress granting to Indiana the power of departing from this fundamental rule, I have felt it my duty to withhold my approval of the act herewith returned. The act, even should I approve it, must be held null and void by our courts, and would therefore only subject the officers connected with that branch of the revenue embraced in this act, and the purchasers of tax titles under its provisions, to vexation and loss. The act is respectfully returned with the hope that this feature may be removed by the legislature, so that those interested in the other provisions of the act may derive the full benefit of them. The question occurring in an act of a local character, was very naturally overlooked by the House, and this circumstance of its being local in its nature makes me the more regret the necessity of refusing my assent to its becoming a law.[2]

SAM. BIGGER

Bigger to the Senate: Veto Message[1]

EXECUTIVE DEPARTMENT,
January 24, 1842.

GENTLEMEN OF THE SENATE:

I herewith return a bill which originated in the Senate (No. 30) to compel speculators to pay road tax equal to that paid by actual settlers, together with the objections entertained against its becoming a law.

The bill provides for the assessment and collection of a money tax for road purposes to be assessed and collected as other taxes for State and county purposes, in the counties of Noble, Lagrange, DeKalb, Steuben, Kosciusko, Allen, Huntington, Wells, Whitley and Fountain, equal to one and a fourth cents per acre, and on town lots with the improvements thereon equal to 25 cents per hundred dollars of the valuation thereof, and on lands in the counties of Wabash and Miami a road tax equal to two cents per acre, modified, however, as to school and canal lands, and on town lots in said counties a road tax of 25 cents for every hundred dollars of the valuation thereof, exclusive of the improvements thereon.

No objection is urged against the provisions of this bill. It appears however, from the endorsement of the enrolling secretary, made on all bills presented for approval, and from the journals of the Senate, the latter being public records, that this act had its origin in the Senate.

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[2] Apparently the Assembly revised the tenth section and passed this bill again and it was approved, though this cannot be followed in the *Journals*. The act appears in the *Laws* with the 10th section reading as follows: ". . . and all laws and parts of laws requiring a road tax on the lands in said counties, or coming within the purview of this act are hereby repealed, so far and only so far as relates to said counties." *Laws of Indiana* (general), 1841-42, pp. 169-70.

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[1] *Senate Journal*, 1841-42, pp. 524-25.

The objection to its approval rests on the 19th section of the third article of the constitution of Indiana, which provides that all bills for raising revenue shall originate in the House of Representatives, but the Senate may amend or reject as in other bills.

If this clause in the constitution could be regarded as merely directory to the legislature, I should consider the executive had no right to interpose the constitutional question; but I cannot so regard it. It is clearly a fixed determinate rule of action prescribed by the people in establishing the powers of the various branches of the government, which cannot be departed from. No reason is given in the constitution for the insertion of this provision. But it is evident that the people, who are justly jealous of the power to impose taxes, wished the authority to originate measures of revenue, to be lodged with that branch of the legislature which stood the nearest to them by reason of being annually elected, that those composing it might be called to a more speedy account at the ballot box.

But is this a bill for raising revenue? It is to my mind as clearly such as any bill can be. It belongs exclusively to the legislative branch of the government to provide by law for opening, improving and repairing public roads and highways. Without legislative action nothing can be done as it respects either their location, or raising the means to open, improve or repair them. Although the county authorities may be empowered to levy and collect a revenue for these purposes, their power to do so is solely derived from the legislature, just as the assessors and collectors of the ordinary State and county revenues, derive their powers from the same source. They all are mere agents in executing the laws passed with reference to the various kinds of revenue, required to be collected and disbursed for State and county purposes. If a tax is assessed upon the people by law for any purpose whatsoever it is to be regarded as a revenue, no matter by what means or through what agents the purpose of the legislature may be accomplished. It is true, this bill applies only to a few counties, but the constitution makes no exception and must apply alike to measures which are partial as well as general in their application.

That this bill did not originate in the House is shown to me by testimony which I cannot overlook and which is indisputable. That the objection escaped the notice of both branches of the legislature is easily accounted for in the fact that the bill itself is local in its character. Had the bill been general in its provisions, I should have hesitated longer in adopting the course I have pursued with regard to it, under the impression that the objection now raised had received the full consideration of both branches of the legislature. But being fully aware that local bills do not generally undergo so rigid a scrutiny as those of a general nature, I have considered it to be my duty at once to return this bill that the ground of objection which has presented itself to my mind may be reconsidered by the Senate. If the Senate should differ with me, the constitution requires the objection to be submitted to the other branch of the legislature, and thus an opportunity will be afforded to both branches of the legislature to determine whether this bill contains provisions, which under the constitution require that it should have had its origin in the House of Representatives.

SAMUEL BIGGER[2]

Ways and Means Committee of the House: Majority Report on Fiscal Matters[1]

[January 25, 1842]

MR. SPEAKER:

The committee of ways and means, whose duty it is to examine the state of the finances, present or prospective—to examine the offices of Auditor and Treasurer, and the situation and condition of the Treasury, REPORT:

That they have examined all that pertains to the fidelity and faithfulness of the officers in those departments of the government, as well as the condition of the offices, and find that the various

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[2] The Senate sustained the Governor's veto. *Senate Journal,* 1841-42, p. 525. The next day the same bill was introduced in the House (H.B. 371) and was passed and approved. See index to bills in House and Senate *Journals,* and *Laws of Indiana,* 1841-42 (general), pp. 74-75. Concerning the need for such a law, see letter of Marshall S. Wines, February 22, 1842, below.

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[1] *House Journal,* 1841-42, pp. 546-51.

duties devolving upon these officers, so far as it is in the power of the committee to know, have been faithfully and diligently performed.

The committee in the discharge of the duties assigned them, find themselves peculiarly situated. The country is involved in a debt of $13,261,378, which has been contracted for internal improvement purposes, (and including the bank loan made with the Morris Canal and Banking company,) and for the liquidation of interest. For the discharge of this immense debt, and the interest thereon, your committee have not (with but trifling exceptions), been able to ascertain any means within the control of the state immediately available, and but little in prospect but a resort to direct taxation. This the committee feel well assured, in the present pecuniary condition of the country, would meet the decided disapprobation of the people.

For it will be recollected, that in the inception and during the progress of the system of 1836, all the information given to the people in relation to that subject, was based upon wild and visionary opinions, mistaken ideas, and false theories. The recommendations of the executives of the states, who advised and influenced the adoption of the system; the reports of Engineers, who surveyed and estimated the various works, and the reports of the committees of both branches of the legislature, in regard to their cost of construction, were alike visionary and deceptive.

And the people in supporting the system, so far as it ever received their sanction, were induced to do so, by erroneous representations and false reports; and it is not reasonable to suppose, that, while then acting under the influence of these false and deceptive representations, (which then presented all as fair and safe) they never intended, and in the opinion of the committee they will not now consent to the imposition of a tax so far beyond the amount ever anticipated by them; and so far too, beyond the amount which many of our public men stand solemnly pledged to the country that it should not exceed. It would therefore, be both unnecessary and unjust to levy a tax at this time sufficient to meet the interest on the internal improvement loans. Unnecessary, because in the present condition of the country, it could not be paid—and unjust, because to its present enormous extent, it has never received either the positive or implied sanction of the people. It is not at all surprising, that the imposing arguments, representations and assertions, in favor of this scheme, coming as they did from persons of high character and standing; persons, in whom the people have been taught to repose the utmost confidence, should have produced the disastrous effects, now so much to be deplored. The people, honest themselves, and unsuspicious of others, especially those whose duty it was to act as their guardians and protectors, have fallen a prey to the avarice of the wiley speculator, the ignorance and heartlessness of the demagogue, and the timidity of the political temporiser.

The committee, then, acting under this view of the subject, have made no levy to pay any portion of the interest on the internal improvement loans. This alternative has not been decided upon, without due deliberation and reflection, with regard to all its consequences. When the question was presented to the committee in its true light, and narrowed down to the simple alternative of intolerable oppression upon the people, or a neglect to pay the interest upon a debt, which never received their sanction, but one opinion could be arrived at. The people must be protected. Onerous taxation cannot be tolerated and liberty preserved. To submit to oppressive taxation would be to become slaves by our own consent, because in all countries, whether despotic or republican, it is by taxation alone that the people can be oppressed; and just in proportion to the amount of taxation are the liberties of the people graduated.

To have imposed a tax sufficient to pay the interest on the public debt, would place burdens upon our citizens equal to those imposed upon the serfs of Russia, and place them upon an equality with the peasantry of England or France. Of this the people are well aware, and under no circumstances, will they consent to such unreasonable and oppressive levy. Former legislatures too, seem to have been fully sensible of the utter impossibility of compelling the people to submit to excessive burthens.

For even in the hey-day of the system, and while its friends were in the zenith of their power and strength, they never *dared* to levy a tax to meet the interest on the internal improvement loans. And they took special pains too, by reports, speeches and declarations, on all occasions, to assure the people that they should not be taxed beyond a reasonable amount.

The committee have deemed it their duty to levy, and they believe the people will cheerfully pay a tax, sufficient to meet all the necessary expenditures of the state government and gradually to absorb the outstanding treasury notes.

The levy for the ensuing year, for the purposes mentioned, is as high as will be required in any succeeding year, unless a subsequent legislature should determine to provide means by taxation for the payment of interest.

Twenty cents then, upon each $100 of valuation may be considered the maximum of taxation, unless a different policy shall be adopted.

The committee would urge upon the legislature the importance of making a levy sufficient to sustain the credit, and keep in circulation the treasury notes issued to pay contractors on the public works. Those notes are in circulation; they are in the hands of the people, and to allow them to depreciate, would create a greater loss, and impose a heavier burthen upon the people than the tax which is intended to sustain their credit. It is not probable that there will be any means for the redemption of the notes in question, other than taxation, and to postpone it would increase the debt and depreciate the paper.

The committee have been somewhat particular in regard to the amount of taxes, which it will be necessary to Levy; that the idea of onerous taxation may be removed from the minds of the people.—Nothing can operate so injuriously to any country, as the belief that its citizens are liable to be oppressed by taxation.[2]

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[2] This Assembly followed the committee's recommendation and levied for the ordinary expenses of the state government and for the gradual redemption of the treasury notes an annual tax of 20 cents on each $100 valuation of taxable property and also for state purposes a poll tax of 50 cents. Half of the 20-cent levy was to be set aside for the redemption of treasury notes. Also the state treasurer was authorized to appropriate any available funds in the treasury for the purpose of liquidating the treasury notes or other liabilities of the state. *Laws of Indiana,* 1841-42 (general), p. 73.

Indiana is yet in her infancy, she has many millions of acres of unoccupied lands, and by the impression which has gone out to the world, that a heavy debt was suspended over us, and high taxes the inevitable consequence, our citizens have been discouraged and their buoyant spirits borne down, and the tide of emigration, so essential to our prosperity, has been turned from our borders. Let us then remove this incubus which hangs so heavily upon our interests, that our people may again assume their wonted alacrity and cheerfulness, and the spring tide of emigration be again caused to set in full current upon the fertile soil of Indiana.

Circumstances growing out of the mode of conducting our public works, and the finances of the state, have destroyed our credit and depreciated our stocks in the market to a mere nominal value, and if the state had means even to a limited extent compared with the actual amount of her debt, she could be easily relieved of all her burthens, for there could be no impropriety in purchasing her bonds at their market value. Those stocks having been principally disposed of in Europe, are now being returned to this country, to be sold for whatever price they will bring in the market; the holders are desirous to part with them at those rates, and Indiana, by an agent, could easily become the purchaser. The committee see no good objection to this policy on the part of the state. The people will be restless and dissatisfied so long as this debt hangs over them, and it is the duty of the legislature, by every means in its power, to endeavor to remove the embarrassment.

Our bonds, it is believed, from the rapid depreciation of state stocks during the past year, will in a short period be down as low as ten cents on the dollar. Now suppose our debt to be $13,000,000, it would require a fund of $1,300,000, to redeem all our outstanding bonds, and release our citizens from all the apprehensions of state insolvency and oppressive taxation. But are there any means within the reach of the state that may be applied to this purpose?

The committee believe, that bad as is our acknowledged condition, there are yet some resources that may be made available for the consummation of this desirable object. The securities taken on account of the suspended debt will at the most be sufficient to redeem the bonds sold on that account, and should they be disposed of in that manner, it would save the necessity of repudiation, a word that sounds harshly upon the ear, and an act that would add nothing to the character of a sovereign state.

The proceeds of the sales of the Wabash and Erie canal lands east of the mouth of Tippecanoe river, amounting to $642,235 94, are prospectively available for any purpose the legislature may direct.—This sum would purchase $6,420,000 of our bonds, which, with the amount of bonds to be liquidated by the suspended debt, would leave outstanding only $3,136,000.

A bill has passed the present session of the legislature, providing for disposing of the public works to companies in exchange for the bonds of the state.[3] Some of the works will doubtless be taken and completed under the provisions of this bill, and by this operation the remaining portion of our public debt may be absorbed.

There are other means, not now necessary to enumerate, which may, at a future day, be made available to sustain this operation, and to make good any untoward contingency which may result in the realization of the foregoing anticipations.

From the above resources, (although not now immediately at our command,) the State could avail herself of abundant means to purchase, at their market value, all her internal improvement bonds.[4] This is an object so desirable and of so much importance to the prosperity and welfare of the State, that the committee cannot urge it too strongly upon the consideration of the legislature and the people.

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[3] See above, 326n.

[4] See letters of Ebenezer Chamberlain above, 353, and below, 421-23, for reference to the purchase of state bonds by the state at whatever price they might command. A resolution had been adopted in the House early in the session instructing the ways and means committee to "inquire into the expediency of appropriating that portion of the proceeds of the sale of the public lands that may from time to time fall to the State of Indiana to the purchase of her State bonds at the common market price. . . ." *House Journal,* 1841-42, p. 84. The Assembly took no steps toward creating a fund to purchase State bonds. The act providing for turning over the various public works to private companies for completion (see above, 326n) also made provision for the election by the Assembly of a state agent to dispose of the state's internal improvement debt "on such condition as he may deem for the interest of the State," but provided no means to buy back the bonds. *Laws of Indiana,* 1841-42 (general), 18-19.

Statement No. 1,[5] is an exhibit of the receipts and expenditures of the State treasury, together with the cash in the treasury, from first January, 1841, to first January, 1842, the latter excluded.

By this it will be seen that the whole amount of cash on hand, and receipts, amounted to ....$	443,317 06
That the expenditures during the same period amounted to	381,391 44
Leaving in the treasury, as cash on hand, the first of Jan. 1842 ....$	61,923 62

Statement No. 2, is an estimate of the means of the treasury, and the demands upon the same for the civil list, or ordinary expenditures of 1842.

By this it will be seen that the cash on hand the 1st of January, 1842, amounts to ....$	61,923 62
That the amount estimated to be realised from the revenue of 1841, after all deductions for delinquencies and per centage for collection	400,000 00
Making total of receipts and cash on hand ....$	461,923 62
The estimated expenditures of every kind at Treasury, it will be seen amount to	305,682 24
Leaving in the Treasury at the close of 1842..........$	161,923 62

No. 3, is a table showing the condition of the Treasury at the close of 1843, on the supposition that there will be no balance in the Treasury at the close of 1842, other than treasury notes: and that the tax will be reduced to twenty cents on the one hundred dollars of valuation, and fifty cents on the poll.

By which it will be seen that there will be realised upon polls and assessments, at 20 cents tax on the one hundred dollars valuation and fifty cents from poll tax, $203,550 00; and the expenses for civil list, $100,000 00; and to be applicable to the redemption of Treasury Notes and interest, $100,000 00 leaving at the close of 1843, $3,550 00.

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[5] These detailed statements are printed in the *House Journal,* 1841-42, pp. 552-59, and have not been included here.

Statement No. 4, exhibits the whole amount of the public debt, of every kind, including as well those amounts the interest of which is provided for as such, for which no payment of interest is provided.

By this statement is appears that our whole indebtedness amounted on the 1st of January, 1842, to....$16,688,123 00

From this it will be seen are deducted such sums as the State is paying no interest for, and such as the interest is provided for, amounting to.......... 3,406,844 25

Leaving the amount on which the State is liable to pay an annual interest of $13,261,278 75

Statement No. 5, shows the amount of annual interest to be paid at the Treasury annually on the public debt, and the means to meet it.

This it will be seen amounts to ....$ 749,123 00

From this should be deducted the means provided for other than by taxation 136,727 69

Showing a deficit of ....$ 612,395 31[6]

For which deficit no means are provided by law, and if met at all, must be provided by direct taxation.

Statement No. 6, shows the amount of the suspended debt* due to Indiana for bonds sold, hypothecated and parted with.

This amounts to $3,705,055 25

[6] To this statement the committee appended the following note: "Under the revenue law of last year [see above] 30 [40] cents on the valuation of each $100 of taxable property was set apart for internal improvement purposes; but this fund will doubtless be paid in treasury notes and cannot be so applied, so that the committee have not thought it proper to place any part of the revenue as means to meet interest on the public debt." Indiana *House Journal*, 1841-42, p. 559.

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* The amount of suspended debt, as here given, is as it was reported to me by the fund commissioner; but an error has since been pointed out to me by that officer, which will swell the amount of suspended debt to $4,169,819 35. . . . T. J. Henley

Your committee find by the statement of the fund commissioner, that there has been issued under the act of last General Assembly (chapter 119,) bonds bearing interest at 7 per cent. which are deposited with the Merchants Bank of New York. In view of the depressed state of our bonds, the committee think that these bonds should be taken up and cancelled, and have accordingly reported a joint resolution to that effect.[7]

In view of the probability that there may be a deficiency in the treasury, (as the expenses of every kind from this until the 1st of March, 1843, will have to be borne from the cash on hand, and the amount to be realised from the revenue of 1841,) the committee have inserted a provision in a bill herewith reported, which they deem will amply provide for such a contingency.[8]

The committee herewith report a bill making general appropriations for 1842, and a bill making specific appropriations for 1842, the passage of which they recommend.[9]

The committee also report herewith a bill levying a tax for State purposes, and for the gradual redemption of the Treasury Notes.[10]

This bill provides that the tax on each $100 valuation of property for 1842, shall be 20 cents, and on each taxable poll 50 cents, for State purposes.

This amount will in the opinion of your committee meet the current expenses of 1843, and leave a surplus of $100,000 at least, for the redemption of the outstanding Treasury Notes.

THOMAS J. HENLEY, Chairman

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[7] The bonds had been left with the house of McAlister and Stebbins and were deposited in the Merchants Bank of New York. *House Journal,* 1841-42, p. 559. See above, 248n, 289. The resolution did not pass.

[8] The committee introduced a bill which was passed and approved authorizing the auditor to set apart and the treasurer to pay out so much of the revenue derived from internal improvement sources as would be sufficient to meet the deficiency in the expenditure for the civil list in 1841 and 1842. This act also provided that the state treasury notes of $5.00 denomination should be receivable in payment of all public dues except trust funds, Wabash and Erie Canal lands, and school moneys. *Laws of Indiana,* 1841-42 (general), p. 120.

[9] *Ibid.,* 134-36.

[10] See note 2 above.

The undersigned, as members of the committee of ways and means, in coinciding with the majority of the committee in their recommendations and conclusions, dissent from the premises laid down by them, and particularly from the strongly expressed assertion that falsehood or deception has been practiced by former executives or legislatures.

The undersigned are not of the opinion that either has been wilfully or intentionally practiced.

They are further of the opinion that the people of Indiana are desirous to, and will eventually pay every dollar of the public debt, which they honestly owe.

John H. Bradley
John S. Davis
Samuel Goodenow[11]

Education Committee of the House: Report on Lunatic Asylum[1]

[January 26, 1842]

Mr. Speaker:

The committee on Education to whom was referred a resolution of this House, and also a communication from Drs. John Evans and Isaac Fisher, of the county of Fountain, on the subject of establishing a Lunatic Asylum, have had the subject under serious consideration and directed me to report:

That in the opinion of the committee, the subject is one of great importance, and well deserving legislative attention. The number of individuals laboring under mental derangement within the State of Indiana is shown to be very considerable by the returns of the late census. That number will doubtless increase with the increase of population. As cities and towns increase in size and number, and as the population of the country becomes more dense,

[11] All three were Whigs.

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[1] *House Journal,* 1841-42, pp. 594-99. The members of the education committee were: James Ritchey, of Johnson County; Ezekiel L. Dunbar, of Jackson; Willis A. Gorman, of Monroe and Brown; Elizur Deming, of Tippecanoe; Azra Lee, of Posey; James S. Shively, of Grant; and William R. Foulke, of Wayne. *Ibid.,* 30.

the causes which produce insanity in all its varied forms, will be evidently increased in force and efficiency. The wretched condition in which many of this class are confined, is sufficient to excite the strongest sympathies of the benevolent heart, wherever that condition is known. Many are *imprisoned for life* without the commission of crime, in some filthy cellar or out-house, without ever being permitted to breathe the pure air which should be free to every human being, without the privilege of beholding the light of the sun, or looking upon the face of nature when robed in her native loveliness, except through some hole or crevice in their loathsome cell or hovel, deserted by those whom nature and nature's God designed to be their guardians; denied the pleasure of beholding the face of a *friend;* and deprived of all social enjoyments. Others are permitted to run at large, and roam over the whole country, often in a state of almost entire nudity, destitute of proper food, and exposed to the inclemency of the season and the storm. Such is but a faint and imperfect sketch of the condition of many of our race; many too of no mean origin; many once renowned for the brilliancy of their intellect and high moral worth. Such cases, such suffering and deprivation, should call forth all the generous feelings of our nature, all the sympathies of *true* philanthropy, all the charities of pure religion.

To be deprived of *reason* is enough, but to be deprived of proper food and clothing, of the light of Heaven and the balmy breeze, of the attention of friends and all social enjoyment, and imprisoned in a human sty, is absolutely intolerable. To be deprived of both, of all, is inconceivably deplorable, and should arouse within us such feelings of benevolence as show themselves in energetic action, rather than in empty expression. An inquiry may here be presented, cannot those unfortunate beings who have been deprived of reason be as well taken care of, and as successfully treated, by physicians in the families of their friends or relatives as in an asylum established exclusively for the lunatic? The answer is obvious, *they cannot.* A moments reflection will convince any one, that in perhaps a majority of cases, insanity occurs in the humbler walks of life, and among the poorer class of community. In such cases it is known that the friends of the unfortunate lunatic *cannot* provide such apartments and other things necessary to the comfort and safety of the insane, as are requisite in the management and treatment of such cases. In such cases it is impossible for the most skilful physician to pursue such a course of practice as is necessary to cure diseases of the mind, even in cases which occur in the more wealthy portion of community, and where comfortable quarters can be provided, the long duration of such cases prevents that careful, steady and persevering medical and moral treatment which alone is found successful in cases of insanity. The friends and relatives are unable to employ a physician who will attend *constantly* for such a length of time as is generally necessary to effect a cure; the expense of employing the services of a skilful physician for so long a time, and such constant attention is such as but few families are able to meet, and perhaps fewer *willing* to bear. The physician, by no means destitute of charity, humanity or benevolence, is unable to render such services, and devote his time and attention to such cases, to the exclusion of other business, without reward or compensation.

The consequence is, that the unfortunate insane are shut up in some out-house or suffered to run at large for the remainder of their wretched existence.

But even in cases where the circumstances and feelings of the friends and relatives of the patient are such as to afford every facility, every thing necessary, so far as such things can be furnished in a private family, still it must be admitted, and that too without in the least detracting from the high and honorable character of the medical profession in the State, that physicians generally are not so well qualified to treat such cases as they are the prevailing diseases of the country, or as those who have been accustomed to *treat cases of insanity exclusively.*

The science of medicine is one of almost infinite expansion, and comprehends the treatment of *all* the maladies to which mankind is subject, and has been classed or divided into a number of departments or branches. A man may be well informed on one of those and quite ignorant of another. A Physician may know how to treat a fever and be a very unskilful surgeon. He may be a very expert and successful operator, and not know how to treat a case of lunacy or insanity.

Experience in the treatment of all diseases, furnishes the greatest advantages, and notwithstanding all theoretical attainments, no man can be considered an able and good physician, who has not had a considerable share of practice, and who has not profited by observation and experience. In the common practice of the country, cases of lunacy are seldom met with, and the physican turning his attention to such cases as he is commonly called upon to cure or relieve, devotes himself almost entirely to the study of the prevailing diseases. If a case of mental derangement occur in the round of his practice, he treats it on general principles. It is a new case of novel character, which he has seldom met with, and instead of being guided by the light of *experience,* he is bound to depend on *theory alone.* Who would not prefer, if afflicted with any disease requiring medical aid, to call on a physician who, in addition to a sound mind, a kind heart, and a thorough knowledge of his profession, possessed also, the advantage of a *long experience* in the treatment of such cases?

The greatest advantage to those, then, who are afflicted with mental diseases, so far as physicians are concerned, is that they may be placed under the care of one who is *experienced* in the treatment of such cases, and where the advantage of that experience can be *constantly* directed to the restoration of reason.

In the treatment of mental diseases, much depends upon the persons who have charge of the insane, as well as upon the proper medical treatment. But very few persons are fitted by nature to take care of an individual laboring under a fit of insanity, and even they may profit much by observation and experience, and by devoting themselves to the care of insane persons as *a business.*

From the foregoing observations, your committee have concluded that, as there is already within the State of Indiana a considerable number of individuals laboring under mental diseases, which number will be enlarged as the population of the State increases—as the condition of the insane is such as to excite the strongest sympathy of which we are susceptible—being not only deprived of *reason,* but every other comfort, and constantly tormented with legions of evil spirits—his own life and that of all others within his reach, being in danger during his fits of frantic rage—as, in most cases, suitable apartments cannot be furnished by the friends or relatives of the unfortunate and wretched sufferer—as the expense of procuring proper medical attention and careful nurses is so great, that few are *able,* and fewer *willing* to incur it, on account of the great duration of such diseases—and as the treatment, with the view of restoring reason to the raving maniac, is much more likely to be successful when entrusted to the skillful management of those who have devoted themselves exclusively to that class of diseases, it is a matter of serious inquiry whether the cause of humanity, the interest and happiness of many of the most miserable of our fellow beings, and the honor of the State, do not imperiously demand the establishment of a Lunatic Asylum.

Your committee, through the politeness of the Hon. E. A. Brown, have been favored with the perusal of the annual report of the Superintendent of the Ohio Lunatic Asylum. By that report, it appears that that institution has been in operation three years, during which time there have been admitted 343 individuals into the asylum, and 201 have been discharged from it. Of the 201 discharged, 124 were recovered, and 11 others were improved, 30 were incurable and idiotic, and 36 died.

"The per cent. of recoveries on all discharged is.............. 61 69
The per cent. of recoveries on all the old cases discharged..33 33
The per cent. of recoveries on all the recent cases dis'ged 86 11"

Here is a most cheering result. Of 343 received into the institution, who in all probability must have dragged out a most miserable existence, had it not been for the humane and scientific efforts of the Superintendent and managers of the asylum, 124 have been entirely cured and put in possession of their *"right mind,"* restored to themselves, their families and friends, and returned to their country. To this may be added 11 others *improved.* Of the whole number, more than one-third have been actually cured. Until recently, Ohio, like Indiana, had no asylum for the insane, (except the "Commercial Hospital" at Cincinnati, connected with the Ohio Medical College, where they can take charge of but few at most,) and of course many of those admitted into the Ohio Lunatic Asylum, were cases of long standing, in which the chances of cure are generally lessened in proportion to the length of the period of insanity. As those are disposed of, and cases of recent origin are admitted, the result is still more cheering. By the above extract it is seen, that of the long standing cases, the per cent. of cures effected is but 33 33, while of recent cases it is 86 11—a far greater proportion of cures than the most ardent philanthropist could have expected. It is probable that, as those who have charge of the institution acquire experience from constant application and observation, and the portals of the asylum are opened to the insane at an earlier period of their insanity, the proportion of cures to the number admitted, will be still greatly increased.

Of the States of the Union, twenty-one of them have turned their attention to this subject, and have already in operation all the measures most approved for the comfort, safety and cure of this most pitiable class of our fellow beings, in their charitable and hospitable asylums. In fact several of them sustain more than one institution of the kind. The State of New York sustains 4 institutions in which the insane are taken care of; Massachusetts and Pennsylvania each sustain 3; Virginia and Ohio each sustain 2, while in the States of Indiana, Illinois, Missouri, Arkansas and Michigan and the Territories of Florida, Wisconsin and Iowa and the District of Columbia there is no institution of the kind. Within these States, Territories and the District of Columbia there are now 566 insane persons, as shown by the returns of the late census, for whom the hand of charity has made no suitable provision, and what is still more remarkable, and still more humiliating to the people of Indiana, is, that of the 566 insane persons within the States and Territories just mentioned—*two hundred and forty-one* belong to Indiana. There are then within this State already a greater number of persons of that description than can be accommodated in any asylum within the United States.

Your committee cannot refrain from expressing their deep and pungent regret, that, while almost every other charitable enterprise has been undertaken and pushed forward with a zeal, perseverance and energy truly commendable, this most charitable and benevolent of all the enterprises which the spirit of philanthropy or even christianity has ever recommended should have been so long neglected and postponed by the good people of our beloved State. While we have been legislating for the "relief" of one class after another, we have been DEAF to the shrill and piercing cries of the maniac. While we have been spending million upon million, upon a system of internal improvement, which has involved the State in interminable difficulties, not one cent has yet been appropriated towards the establishment of asylums for the Deaf and Dumb, the Blind or the still more unfortunate class, who have been deprived of Reason.

While Indiana has been thus shamefully squandering her resources on works which are likely to be viewed only as monuments of her *folly,* and neglecting to build up those institutions which the cause of humanity should have erected, as monuments of a far nobler character—our own suffering fellow citizens have been knocking for admission into the charitable institutions of our sister State—and knocking in vain.

From the report before alluded to we find that there have been applications made for the admission of 13 insane persons from this State into the Ohio Lunatic Asylum. These applications have been refused for want of room. What burning shame should crimson the cheek of every Indianian on being informed of the foregoing fact. In view of the foregoing facts and the great necessity of speedy action upon this important subject your committee have concluded to recommend the adoption of the following Preamble and Resolution.[2]

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[2] This joint resolution passed by the Assembly and approved, January 31, 1842 (*Laws of Indiana,* 1841-42 [local], pp. 182-83), ordered the Governor to hold a correspondence with the superintendents of the lunatic asylums of the various states, "with the view to ascertain the most approved plans for the construction of an asylum and the manner of conducting it, and any other information he may think necessary; which plans and information he shall communicate to the next General Assembly, with such recommendation on the subject of the immediate undertaking of the erection and establishment of an Indiana lunatic asylum as he may think proper."

Ebenezer M. Chamberlain to Editor Goshen *Democrat*[1]

INDIANAPOLIS, Jan. 26, 1842

DEAR SIR: This is Wednesday of the last week of the session. Time did not allow me to comply with my intention of sending you last week my usual correspondence, and therefore in this communication I shall notice such measures of a prominent character, as have received our final action since my last.

I must also here occupy a small space to apologise to my constituents generally, for not having more frequently corresponded with them individually. And I believe my apology will be satisfactory, relying, as I do, exclusively on the fact that so entirely have my duties engrossed my attention, that I have not had time for that purpose. In less than eight weeks, we have attended to a greater amount of the ordinary business of legislation, than has been done at any previous session for the last six or eight years, notwithstanding those sessions have averaged two or three weeks longer than this will be when it shall have closed.

During the past week an immense amount of ordinary business has been done among which bills of incorporation, in all their variety of forms, and for almost every conceivable purpose, have occupied their share of attention, and indeed, somewhat more than a usual share, inasmuch as, being chairman of the standing committee on corporations, I have not permitted one to pass that ordeal, without the *great Democratic salvo,* the repealing clause being inserted, by way of amendment, if it was not already one of its provisions. If there is a principle in legislation, more peculiarly than all others, marking the true distinction between Democratic and Federal principles, it is that which leaves the people possessed of power, at any time, to amend or repeal any previous enactment. To deny this right, is to deny the people the right of self-government, and to distrust their proper exercise of it, is to distrust their capacity for self-government; no matter how cogent may be the arguments in favor of vested rights, and chartered monopolies. So long as the extraordinary rights and powers with which chartered companies are always clothed, are exercised, consistently with the public interest, there is no danger of improper popular interference; and whenever this ceases to be the case surely the right of popular interference should never be prohibited.

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[1] Goshen *Democrat,* February 10, 1842.

The joint resolution for the resumption of specie payments, has finally passed both branches of the Legislature, though in a modified form. The day fixed is the fifteenth of June next. Last week I introduced a bill providing for printing one thousand copies of our general laws in the German language, and succeeded after full discussion, in carrying it thro' the Senate. I am apprehensive, however, that it will fail in the Lower House. The principal arguments in favor of this act of justice to that large and meritorious portion of our fellow citizens, I embodied in a report on the subject. The measure I believe ought to, and will ultimately prevail.[2]

A law has passed authorising the disposal of all our public works to incorporated companies.[3] It is with much painful regret that I am compelled to say to my constituents, that the last hope has expired, of the State ever doing any thing more for the prosecution of our canal— So totally squandered and prostrated are her means, her credit and her energies. Since the developments our investigations have produced, volumes could be written upon the causes of this overwhelming ruin, and yet half the truth could not be told of the conduct of the men who had the control of affairs in this vital point. Often, and long since, have I endeavored to avert these disastrous results, by contributing the last of my poor efforts to prevent the appointment, or effect the removal of public funcionaries, to whose folly and villainny can be directly pointed, as the primary causes which have produced them, but all in vain! Often, and long since, have I boldly predicted the consequences which would form the most melancholy page of our history. But this was all denounced as an ebulition of *political spleen.* A political party rallied to their support, *they were sustained* and *the State was ruined!* And now, in this general ruin, in which they, like all, are involved, they are at last exposed, as its acknowledged authors. If the hope of retributive justice, be not all mockery, must it not ere long overtake a party, on which this tremendous responsibility rests?

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[2] This bill was prompted by a petition from citizens of Adams and Wells counties which was referred to a select committee headed by Chamberlain. The committee report recommending passage of the bill is given in the *Senate Journal,* 1841-42, pp. 392-93. The House committee on ways and means to which the bill was referred recommended its passage, but it was laid on the table by a vote of 56 to 34. *House Journal,* 1841-42, pp. 545-46.

[3] For provisions of this bill see above, 326n.

And, when we reflect that the only alternative left us, is but an additional accumulation of evils—to dispose of all our works to incorporated companies, and thus enchain Indiana forever in the fetters of chartered monopolies, who can calmly contemplate the consequences? I can not—and especially the bill which has now passed for this purpose, clothing them with at least two of the attributes of omnipotence:—*almighty power* and *eternal duration*—almost drove me mad. In comparison with our present condition, as if it were not enough that we are already in purgatory, I deemed it as a proposition to bind us hand and foot and cast us headlong into hell! and thus pronounced it in debate. For though it may be true, that companies may be formed for the prosecution of some of our works, yet there is no necessity of clothing them with such plenary powers, and conferring on them such rights & privileges as this act provides. There never can be a necessity sufficiently urgent to subject all the rights and interests of the people to the mercy of chartered monopolies. As for me, at least, such a proposition can never receive my sanction. I believe companies might be formed for this purpose, which, while they would promote the pecuniary interests of the people, would not be so flagrant a sacrifice of their sacred rights. But of this act I could not, in an ordinary communication, give you even an intelligible outline. Suffice it to say, that it consists of eighty sections, and almost all confering some rights, and giving some powers; and no probability, should it ever go into operation, that these rights and powers would ever be restored.

There is another view of the subject on which I could not reconcile myself to give it my support. There are several of the works in the southern part of the State, large portions of which are completed. The provisions of the act amount almost to a gift of the vast sums of moneys expended on these works, to the companies which may take them, while the available expenditures upon our canal are comparatively nothing. I think the inequality of the benefits thus to be conferred, would give me trouble in justifying the act, to my constituents. The bill of '36 was called the mammoth bill; *this* I call the *monster* bill, and did not support it.

You will recollect that some time since a resolution was introduced by me, proposing the appointment of a select committee, to enquire into the expediency of providing a fund for the purchase of our outstanding internal improvement bonds, at their market price.[4] This resolution was accordingly referred to a select committee of three, the majority of whom, on inquiry, I found disagreed with me on the subject. The majority neglecting to report, afforded me no opportunity of laying before the Senate the following Report, and an accompanying Bill, notwithstanding they were prepared some weeks before the adjournment, to wit:

Mr. President:—The undersigned, member of the Senate Committee, to whom was referred a resolution directing inquiry to be made into the expediency of providing a fund for the redemption of our State bonds at whatever depreciated price they can be purchased, and of repealing a certain act therein named, and also of disposing of the public works to Stock companies, begs leave to make the following minority report:

The present embarrassed condition of the finances of the State, precludes the possibility of the payment of the interest upon her public debt, incurred for internal improvement purposes, and even, every well found hope of the ultimate payment of the principal. In this desperate and deplorable state of our affairs, the undersigned is constrained to the conclusion, that desperate remedies, not obnoxious to the imputation of dishonor, but promising ultimate deliverance from present discouraging embarrassments, are preferable to a longer continuance of our hopeless condition.

The undersigned, therefore looks to a combination of the following exhibitions, for the ultimate accomplishment of this object:

First, from the ascertained fraudulent character of the manner in which a portion of the bonds of the State have been disposed of, there is about $3,040,000 of public debt, the repudiation of which is, in the opinion of the undersigned, justified by every principle of law, equity and justice.

Second. There are several propositions pending for the ultimate disposal of the public works to companies, in such manner as it is hoped will be consistent with the entire preservation of the popular rights, and will ensure the completion of the most important of them, and will absorb a very considerable amount of the public debt.

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[4] See above, 353.

Third. The undersigned reports the accompanying Bill, which provides for the creation of a fund, and the election of an agent, by joint ballot of the two Houses, for the application of said fund to the purchase of State bonds, not otherwise disposed of, at their market price—This project, though it contemplates the temporary application to that purpose of the surplus revenue fund, the college fund, the saline fund, and the State Bank school fund, yet, as the interest arising from these funds, is in no event to be diverted from the purposes to which it is applied by law, the undersigned believes that this temporary diversion of the principal, is justified by the consideration that once more to deliver the State from the ruinous thraldom of debt in which she is involved, is a measure paramount in importance to all others. This great object once accomplished, the people of Indiana will most cheerfully submit, to almost any exaction, which may be necessary, for a restoration of said fund, which, thus for a while, shall have been so beneficially applied.

In addition to the above enumerated funds, the undersigned proposes also to set apart in like manner and for the same purpose, so much of the stock as belongs to the State in any branch of the State bank, which shall forfeit, or may have forfeited its charter, by a suspension of specie payments of its notes, or otherwise; also the residue of the proceeds of the Wabash and Erie Canal lands, for the construction of that work east of the mouth of the Tippecanoe, and if found necessary, it is believed the people would cheerfully submit, for a few years, to the payment of some small addition to their taxation for the necessary purposes of the government.

This proposition is submitted, not with an expectation that it will receive the immediate favorable action of the General Assembly, and hardly with a desire that it should. But it is done with a view to call public attention to the subject, with the belief that after proper reflection has been bestowed upon it, some such measure will be adopted; in as much, as, to wipe out every exorbitant and useless public debt, at almost any sacrifice, and thus once more to unshackle the energies and revive the hopes of the people, from their present despondency, is regarded as an object of paramount importance.

E. M. CHAMBERLAIN

To the proposition contained in the above report, and the Bill prepared to accompany it, some at present object; that they cannot accede to any measure which contemplates a diversion even temporarily, of some of the funds therein enumerated, and especially such as are devoted to education purposes. As sufficient answers to these objections, it needs but be said, that no such diversion, even temporarily, is in fact contemplated in such manner as to ultimately operate injuriously, either to the funds, or to the purposes to which they are now applied, in as much as it is proposed to apply annually, to those purposes, an amount of revenue equal to the amount of interest now annually accruing, and to provide for the ultimate redemption of the funds themselves, when the State shall have become disengaged from the enormous amount of worse than useless debt, which now paralises all her energies. And, also, that whatever temporary inconvenience might be experienced, would be infinitely more than counterbalanced by the ultimate good which would result from the removal of a great and overwhelming evil.

Others affect a great horror at the doctrine of repudiating any portion of the public debt, however unrighteous, unjust, illegal, and villainous, may have been the means by which it was incurred. Let those who are influenced by these views, look at the existing state of things and at the proposition which the question of repudiation involves, and the following will be the conclusions at which they will arrive. First, that the people of Indiana can *never* pay her existing debts with an annual accumulation of interest, of more than a half million of dollars—And, secondly, that it is better to pay a portion of our debt than none of it—and thirdly, that in the selection of that portion which we propose to pay, we should give a preference to that portion which has been incurred without fraud, and for which a consideration has, at least partially, been received, to the exclusion of that portion which is only characterised by the most diabolical fraud and villainy. Why should communities be held bound to the fulfillment of obligations, from which, in all civilized countries, individuals are absolved, upon every principle of honor, law, and justice?

Whatever opinions may, at this time, be entertained on these subjects, I entertain no doubt but that the correctness of these views, will sooner or later, be fully concurred in.

Another communication will close this correspondence for the session, and, indeed, for my term of service in the Senate, which closes with the session on the 31st inst. In that, which will be written after our committee of investigation reports, I shall give you a general statement of the results, at which, from that investigation, we may have arrived.

Very Respectfully,

E. M. CHAMBERLAIN

William B. Mitchell to Editor Goshen *Democrat*[1]

INDIANAPOLIS, Jan. 26, 1842

DEAR SIR:—This evening the House of Representatives *murdered* my bill for the improvement of the navigation of St. Joseph River.[2] The provisions of the bill were, that one half of the State tax in the counties of Elkhart and St. Joseph for two years, should be applied for the purpose of removing obstructions in the St. Joseph River in those counties. As an inducement to pass the bill, I had provided that the boards doing County business in said Counties, should, (if they deemed it expedient) levy a tax not exceeding ten cents on the hundred dollars, to be applied in the same manner. After all the exertions that could be made to sustain the measure, the House struck out that portion of the bill appropriating a moiety of the State tax. The balance of the bill I do not choose to accept, because if we want to expend our own money in this way, we had better do it by subscription than by enactment, which would be conceding that we had not the right to dispose of our own means for our own benefit, without asking permission of those southern vultures. It is an old maxim that "might overcomes right," and the evidence of its truth has been strongly demonstrated by this Legislature. The Northern part of Indiana has, in the shape of taxes, bled freely and cheerfully to sustain, untarnished, the integrity and honor of the *whole State,* while the South has continually looked upon us as an appendage, or *colony,* which they might tax for their own benefit, without conceding to us any part of the benefits which might result from the expenditure of our own money. These arguments have been urged in every possible shape that could operate on the minds of men, who were disposed to do equal justice to all; but without effect.

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[1] Goshen *Democrat,* February 10, 1842.

[2] Early in the session Mitchell had introduced a resolution that the committee on canals and internal improvements be instructed to inquire into the expediency of granting an appropriation for the purpose of improving the navigation of the St. Joseph River within the limits of Indiana. The act passed by the legislature came late in the session, introduced by a select committee headed by Mitchell to which had been referred petitions from Elkhart County praying the improvement of the St. Joseph River by application of state taxes in these counties. *House Journal,* 1841-42, pp. 541, 582. The bill as passed and approved provided for improvement through application of county taxes and provided an additional tax of ten cents on the hundred dollars might be levied in the counties of Elkhart and St. Joseph for that purpose. *Laws of Indiana,* 1841-42 (local), p. 168.

I have succeeded in accomplishing every local object which my constituents have asked for, but in consequence of the total insolvency of the State, all projects of a public character, requiring the expenditure of money, have utterly failed.

A joint resolution, instructing our Senators, and requesting our Representatives to use their exertions to procure an appropriation for completing the harbor at St. Joseph, has passed both branches of the Legislature.[3] Stay laws in every shape and form that can be devised, are brought up almost daily. We have succeeded so far in defeating them. You will see my course, as reported in the "State Sentinel;" there is still one on the tapis which I hope may go the way of all its predecessors. The Committee of ways and means will introduce the revenue bill tomorrow, recommending a tax of twenty cents on each hundred dollars of taxable property. This is what is required to meet the current expenses of the Government, and arrange the demands on the State for Treasury notes, which are now outstanding. No provision will be made for the payment of either principal or interest on any portion of the State debt.[4]

Repudiation of the public debt is loudly spoken of by both parties. I cannot, however, think it right to become a party in the swindling operations of those whom the State has entrusted to use her credit, when the bonds are found to have been sold to innocent and unsuspecting purchasers, who honestly relied on the faith of the state for their redemption. But wherever there has been collusion between the agents of the State and the bondholders, I say *repudiate*.

A large portion of those bonds have been sold, hypothecated and pledged, for which the State has never received any consideration, and if it was a case to be tried between individuals, no liability of payment could attach; but as a State, having passed laws, conferring almost unlimited powers upon her authorized agents—thus turning them loose upon a community who confided upon the honor and integrity of the *power* creating such agents, I entertain strong doubts whether an individual under the same circumstances, could *repudiate* such debt, and maintain his character of honesty and integrity. A law has been passed granting to associations (*alias* corporations) all the public works in the State. I have felt it my duty to oppose this project from its introduction to its final passsage, in a protest which has been published.[5] Yours, &c.

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[3] *Laws of Indiana,* 1841-42 (local), p. 178.

[4] See report of ways and means committee, 402-11, below.

W. B. Mitchell

Ebenezer M. Chamberlain to Editor Goshen *Democrat*[1]

Indianapolis, Jan. 29, 1842

Dear Sir:—With this day closes the last business day of the session, next Monday (the 31st) being the day fixed for adjournment. . . .

If any thing I have said or may say, either on any former, the present, or any future occasion, may be deemed objectionable, as it doubtless will by many a rancorous federalist, as savoring too strongly of political bias, I need but refer to the catastrophe in which all our highest hopes in reference to our canal, and the public works generally, are overwhelmed, in order to show how deep an interest the people have at stake, in wresting power in this State, from the hands of a party, who have wielded her destinies, till Indiana, in all her energies lies well nigh prostrate and powerless.

As immediately connected with this view of the subject, and in fulfillment of my promise in my last communication, and the close of our investigations into the past management of our improvements and finances, now enabling me to do so, I will give you a brief outline of the general results of the labors of our investigating committee.

Our labors have been the more arduous and results more uncertain, from the fact that in our progress, we have had to grope our

[5] The protest signed by twenty-two members of the House is printed in the *House Journal,* 1841-42, pp. 487-89, and cited above, 326n.

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[1] Goshen *Democrat,* February 17, 1842.

way in the dark, in search of facts. So complicated, involved, and irregular, and I may say deceptive and covert have been the acts of those most deeply implicated, and the fact of our being compelled to rely mainly on their own statements, until other testimony has been incidentally elicited, that many of them in most instances, and doubtless some of them entirely, have been enabled to evade detection and liability. Nevertheless, we have arrived at several results practically important. *First,* by suits against a number of them the most culpable, the State will reclaim something, though, to be sure, but a pitiful modicum of the sacrifices, to which they have been instrumental in subjecting her. *Secondly,* to subject them to the rigid demands of justice, will operate as a salutary admonition, both to the people and to their public functionaries hereafter. To the people, and their representatives, to be cautious how they permit political considerations to outweigh their better judgment, in selecting and sustaining men in responsible stations, just because they are mere partisans, though at the same time they are notoriously incompetent or dishonest. To the public functionary or agent, these results will be salutary, because, looking at these examples he will find it difficult, in the discharge of his duties to divest himself of the consciousness that he too will probably be required to render an account of his conduct to the people. *Thirdly,* enough will be disclosed, to show the general principles, or rather the general destitution of all principle, of the manner in which the people of Indiana are burdened with a debt of more than *Twelve Millions of Dollars,* in consideration of which, they have received nothing but bankruptcy and disgrace.

It will be recollected that the chairman and a majority of our committee are Whigs. I have already, in a former communication, informed you of the difficulties encountered, and indignities suffered, by the minority, at the commencement of our investigation, in consequence of a determination to eviscerate the festering corruptions, known to exist—whose bowels soever, might be lascerated or torn in the operation.—This disposition on the part of the Whig majority of the committee, especially when a political partisan of their own, happened to be the subject of operation, (and there are very few others) justified the conclusion, which forced itself upon my mind, when at the commencement of the session, the Whigs, in anticipation of our designs, themselves introduced the proposition for raising the committee. That conclusion was, that the chairman and majority being whigs, the whole matter was intended as a mere whitewashing process, and to result, as all similar efforts, under similar circumstances always have, in once more garnishing the sepulchre. This, the minority determined should not be the course pursued, and by persisting in our perfectly indomitable resolution, succeeded in producing far different results. The chairman soon saw and acquiesced in the propriety of our course, and the report drawn up by him, shows in the main, a very good degree of disinterestedness, although those most deeply implicated, all, *all* are, or have been the favorites of his party—the very paragons of modern Whiggery.[2]

He attempts absolutely to whitewash, only one solitary case, and that one His Dictatorial Highness, Jesse L. Williams—probably the fittest and most needy subject for the process, of the whole batch. That man, whose word in reference to every thing connected with the management of the system, has been supreme law with the board of Internal Improvements, the whole engineer corps, and I may add the Executive and Legislative branches of the Government, I hold responsible for more mischief than all the rest of them put together. He came into the service a perfect novice in most branches of civil engineering, and has always kept himself surrounded and defended at all points, by the gangs of still greater novices with whom in most instances the State has been cursed, in the shape of assistant or resident engineeers. With the exception of our Northern Canal, on which he has never bestowed any care or attention, other than to single it out as the special object of his displeasure, he has been careful that no engineer who was suspected of being a Democrat, should be retained in the public service. Thus he has had a special care to keep himself completely environed by his supple cringing dependents, who, during the investigation, as on all other occasions have stood ready to justify and approve whatever may have been said or done by the "Chief Engineer."[3]

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[2] For the makeup of the Senate committee and a summary of their report see above, 344n-46n.

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There are to be sure a number of other individuals, whose conduct came under the notice of the committee, who are exonerated from blame in the report, some indeed, as in the case of Judge Hall, the Lieutenant Governor, who are entitled to much praise for having been found faithful and honest, amidst such general abuses, others, perhaps, for want of more favorable opportunities to 'contaminate their fingers,' and still others who have escaped among the small fry, while the pursuit has been directed after the big fish. The report will be found as little tinctured with political bias probably, as could be well expected, considering the influences under which the chairman of the committee, Mr. Egleston, may well be supposed to have drawn it up, being a prominent member of the Whig party. Yet although Noah Noble's case is treated with tolerable impartiality, on one point a conclusion was arrived at in his favor, which the minority could not sanction, and Mr. West and myself accordingly both dissented from it.

In the prosecution of operations on the Madison and Indianapolis rail road, for the two years past there has been a most shameful and palpable violation of the act of 1840, requiring a suspension of operations on the public works. And until this investigation, the Legislature and the public have alike been profoundly puzzled to conjecture how it has been, that on that work all legal restraints appear to have been utterly inoperative. We have only known that all legislative enactments have been set at defiance, and the rail road still continued to progress. The investigation has solved the mystery in part. An ingenuous fiction appears to have been resorted to, by which the treasury notes, which were intended for the payment, exclusively of the debts then due contractors, were in fact, applied to the prosecution of still further operations, which plan it is proved, was suggested by Noah Noble, and it is as evident as the noon-day sun, that as commissioner, he very graciously *winked* at the arrangement. By this and other arrangements, thousands and tens of thousands of dollars have continued to be applied to that work—legislative enactments to the contrary notwithstanding. In addition to this evidence, the whole project was so perfectly characteristic of the man, and the whole tenor of his operations on that line, that when, in order to exculpate him from blame on this point and to arrive at a conclusion in his favor, in direct contradiction to positive evidence, that part of the report was read to the Senate, its glaring absurdity so shocked even some of the strongest whigs of that body, that they almost involuntarily expressed their astonishment.—From this part of the report, Mr. West and myself both added our unqualified dissent. On other points, however, even his political friends on the committee, could not sustain him, and the report is not only very pointed in disapprobation of his conduct, but ranks him, with several others who have rendered themselves legally liable to the State, for dereliction of duty, in operations on that road. Among whom are Philip Mason and what is called the Madison bond Company, which is a company at Madison, with whom the State, some years ago, negotiated $455,000 of bonds, to be applied in prosecuting that work.[4]

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[3] The editor of the Fort Wayne *Times* took exception to Chamberlain's remarks concerning Mr. Williams. Likewise, the editor of the Goshen *Northern Indianian* came to Williams' defense. Chamberlain answered these gentlemen in two letters to the editor of the Goshen *Democrat,* printed in May 12 and 19, 1842, issues.

The report also recommends suits against some three or four of the members of the old board of internal improvements, for over letting. That is for putting more work under contract, than there had been money appropriated for that purpose.—This is regarded as a breach of law, and as things have resulted, contributed somewhat to our present embarrassments, though at the time it appears not to have been considered hardly censurable conduct.

Our profound Financier, the Biddle of Indiana, Samuel Merrill, has not escaped entirely unscathed. He has heretofore tried hard several times to justify or excuse his shameful negotiation with that hellish crew, the Morris Canal Company, by which we were swindled out of a million of dollars, as quick and as easy as ever a professor of the black-art played a trick of juggling. We let him off, however, by merely ranking him among the biggest fools that have ever given the world specimens of western financiering.[5]

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[4] See *Messages and Papers of David Wallace,* 274-75n.

But the stars of first magnitude, in this galaxy of worthies, are yet to be brought under observation. Doctor Coe and Milton Stapp! Instruments chosen and sustained by the Whig party, as if with special reference to their pre-eminent qualifications for doing more than any other two men could do in the same time, to sink Indiana in ruin and disgrace! Nothing short of the whole testimony in their cases, would give even any tolerable idea of the outrages they have perpetrated upon the interests and honor of the State.—They are doubtless, each of them justly liable on their bonds as Fund Commissioners, to an amount hardly less than one hundred thousand dollars, and suits are recommended against them.[6] . . .

. . . .

I have two other specimen instances, which, in conclusion of this long communication, I will give you, indicative of the regard that party feel, as well for the interests of the people generally, as for the national honor.

A joint resolution was introduced by a Democratic member of the Senate, with a view of procuring a repeal of the duty on salt, which you are aware, now imposes a heavy tax on the people of the West. The Federal majority of the Senate immediately prepared amendments, which involved a discussion of the whole tariff question, and they finally disposed of it by referring it to a Whig committee, where it was finally smothered, Thus rather than in any degree endanger the distribution, or *bribery Bill* of the extra session, they would still subject the people to a monstrous tax on this indispensable necessary of life.[7]

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[5] On February 11 Merrill wrote concerning the investigation, "at first there was an effort to throw more than my share of the responsibility on me. This did not succeed and Dr Coe and Gen Stapp were ordered to be sued while I escaped tolerably well." In a later letter, though, he expressed considerable concern over the fact that as one of Coe's securities, he expected to lose a considerable amount. Samuel Merrill to David Merrill, Peacham, Vermont, February 11 and April 1, 1842. Merrill Papers, Indiana Historical Society.

[6] After further denouncement of Coe and Stapp, Chamberlain then attempts to show collusion between Noble as a member of the Board of Internal Improvement and Stapp as Fund Commissioner in connection with the Madison and Indianapolis Railroad in 1840.

The other instance to which I refer, was a joint resolution of the Lower House, sustaining the rights of Maine and of the Nation, relative to the North Eastern Boundary question. This the Whigs of the Senate met, at the very threshold, and by a strict party vote, sent it to a select committee, all Whigs, and it never has since been heard of.[8] Even upon this subject, they must needs abandon and disgrace their country, by truckling to the accursed sentiments of their party—to Webster toryism, and to British insolence! What astonished me was, that at this day, the leaders of Federalism could have whipt the rank and file of their party into such disgraceful servility as this. But Federalism is Federalism, either in 1812, or in 1842.—in war or in peace! Notwithstanding all their professions of patriotism, of American feeling—and even now-a-days of Democracy, touch but one fibre of their principles, and it vibrates throughout their whole body.

The Revenue Bill has passed. It will not be gratifying to our fellow citizens to know, that all efforts to pay the interest upon our public debt, are utterly vain—so hopelessly desperate is the condition to which we are reduced. But it will be gratifying to them to know, that we are determined to exact no taxes from them whatever, to be placed in the hands of spendthrift Fund Commissioners, for the payment of further tribute to the pirates of Wall Street. We therefore have reduced the revenue to the wants of the government, excepting a provision for the redemption of our treasury notes. Twenty cents on the hundred dollars, one half the tax levied last year—and one half of this is to be applied to the payment of our treasury notes, being determination at least, to preserve our credit at home. The poll tax is fifty cents, which is a reduction of one-third the poll tax of last year. I think the people will be pleased with this Democratic feature of our legislation, in these glorious times of the fulfillment of Whig promises. For I think we ought to "keep it before the people," that it is almost time the following prophetic Whig motto should be fulfilled: "Tippecanoe and Tyler too—money plenty, and prices high." We thought, that before the fulfillment of this promise, the people might need a relief law, in the shape of *light taxes*.

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[7] Action on this measure may be followed in the *Senate Journal,* 1841-42, pp. 47, 88, 358, 360, 364. One of the amendments was to add: "and to establish in the revenue system of the United States a discriminating principle by which the duties for the raising of revenue shall be mainly laid upon articles of luxury, which are the productions of foreign countries, having a just regard to the protection of domestic manufacture." Another was: "And to impose a duty on all articles manufactured in England and France in proportion to the duty they impose on American tobacco and bread stuffs." The reference to "the distribution, or *bribery Bill*" is to the link between a tariff for revenue and the distribution of the proceeds of the public lands to the states. The previous summer Congress had passed the distribution bill with the provision that whenever it should become necessary to raise duties on imports above the 20 per cent level, distribution should cease. U. S. *Statutes at Large,* 5 (1835-45): 454-55. The act is cited above, 287n.

[8] See above, 348.

We have elected Nathan B. Palmer bank examiner, whose duty it will be to make a thorough investigation of the condition and operations of that institution.[9] We have also elected Michael G. Bright of Madison, agent for the State, to supercede Noah Noble, as Fund Commissioner;[10] whose duty it will be to analize, arrange and adjust, as far as possible, the utter chaos into which our Whig financiers, have involved our fiscal affairs; and to superintend such suits as may be brought in pursuance of the recommendation of the investigating committee. These gentlemen are both sterling Democrats, and much responsibility devolves upon them. That they will fearlessly discharge their duties, is the hope as it is the expectation of their friends.

Very Respectfully,

E. M. CHAMBERLAIN

[9] See above, 307n.

[10] See above, 326n-27n.

Marshall S. Wines to His Constituents[1]

[Woodlawn, February 22, 1842]

To the Citizens of Allen County,

When the citizens of any district select one of their number as agent, to transact their business and for the time being to take charge of their interests, it is but reasonable that a faithful account of his stewardship should be required of, and rendered by him. . . .

. . . .

. . . There was but little of party spirit, and less of party rancour than has formerly prevailed, and whatever may result from their deliberations, the members as a body seemed to be actuated by higher motives than a desire to promote party ends.

The greatest abuse in all our public affairs and the one calling loudest for correction, exists in connection with our present penitentiary system. The prisoners are farmed out by contracts to two men called superintendents, whose only object is to make money by the operation. These superintendents with keepers employed by and paid by themselves, have the entire care and control of the prisoners. The state, after a few loose contract stipulations in favour of the prisoners, retire entirely from the supervision of the whole matter, and the great end of public justice is left to be promoted, or thwarted by men who have connected themselves with this "House of Correction" from no other than mercenary motives. These superintendents are responsible to the public only as contractors. There is no official responsibility, and they can only be prosecuted for a violation of contract. Almost innumerable instances of inhumanity and abuse of power are reported to have occurred under the present order and plan of discipline. An ineffectual effort was made during the last winter to remove some of the evils; but nothing short of an entire change of the whole system of discipline and policy, under officers appointed by and responsible to state authority can possibly work a proper cure. . . .

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[1] Fort Wayne *Sentinel,* February 26, 1842. Wines was serving his first term as representative from Allen County. He was re-elected in August, 1842, but died on September 20 following. He was a Democrat. Because of its length, it has been necessary to omit a considerable portion of the letter.

You are aware that a law was passed at the late session which forbade the sale of any property on execution, unless it brings two-thirds its appraised value. I voted for this law under the belief that it was just, both to the creditor and debtor, and believing also that if it did not pass, a long stay law would be enacted. . . .

I was opposed to a long stay law, on the ground that generally such laws were injurious to the public. I have seen and felt the operations of a long stay law; and being unapprised by my constituents what was their will on the subject I was left of course to the dictates of my own judgments. . . .

. . . .

I opposed, as well as I was able to do, the issue of Treasury notes to pay the State Bank, but finally concurred in the report of the committee of free conference on that subject, fearing something worse might come up if that report was not concurred in.[2] I opposed the issue of treasury notes because I feared their depreciation. There is more than one million of dollars of that kind of paper afloat in the state, and including the interest, perhaps eleven hundred thousand dollars, at this time. The amount to be issued for the Bank will increase the amount to over seventeen hundred thousand dollars. The rate of taxation fixed for the present year, will not pay more than [twice?] the yearly interest of the whole sum, and at the same rate, the taxes of more than ten years will be required to take them all up. The notes to be issued to the Bank, if loaned out, must be received by the Bank in payment of such loan, and this fact may keep *them* up. But the issue made to contractors, I fear will suffer in comparison, and the day of their ultimate redemption is so far off, that a depreciation in their Value is to be apprehended.

If the Bank resumes, and continues specie payments, that event will necessarily increase the difference in value between State Bank paper and State Treasury notes, and if a depreciation commences ever so slight at first, it will go on increasing, unless a change in measures shall prevent it. I hope however my fears may not be realized.

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[2] For the act as passed, see *Laws of Indiana,* 1841-42 (general), pp. 82-84.

A law, confined in its operations to a few northern counties, was passed by the late Legislature assessing one and one fourth of a cent on each acre of ground, without regard to improvement, as a road tax. This law originated first in the Senate, and was vetoed by the governor on that account.[3]—Afterwards it was introduced in the House, by Doctor Marsh, from Steuben County, and passed. The Senators from Allen and Noble are entitled to the honor of having conceived it, but I voted for it, and believe it to be a just law, and such a one as is needed in Allen County. In this county there are more acres of taxable land than in any other county of the state, and but a few over one fourth as many voters as in some of the other counties. In many of the counties of the State, almost all the land is occupied by the owners residing on and cultivating it—while in Allen County, more than three-fourths of the taxable land is unoccupied and unimproved; and the owners of a good deal of it live in other states, and their lands are becoming more valuable daily, by the enterprise of the actual settlers, in clearing up their own land and opening roads. The benefit being equal the sacrifice ought to be equal.

. . . .

. . . some laws were passed that must affect injuriously the great interests of the State. And one in particular, to which I beg leave more fully to refer, as I had the misfortune to differ in judgment with the entire delegation of northeastern Indiana on the propriety of its passage. I refer to that law, by the provisions of which all the money heretofore expended by the state on works of Internal Improvement has been abandoned to a full batch of corporations created prospectively by the same law.[4]

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[3] See above, 400-2.

[4] See *Laws of Indiana,* 1841-42 (general), pp. 3-21. Joseph Sinclear, senator from Allen County, explained his support of the bill as follows: ". . . by one of its provisions the offices of Fund Commissioner and Principal Engineer are abolished, and also for the still stronger reason that the provisions thereof are more favorable to the Michigan and Erie Canal than to any other of our public works. I have not much doubt but

A few of the members of the House of representatives considered that measure so odious in all its features, so entirely evil in all its consequences, so entirely subversive of the best interests of our State, so deceptive in all its pretensions and so utterly unworthy of Indiana, that they declared it their duty, in addition to their uncompromising objection to it, from its inception to its final passage to enter their solemn protest against it. I refer you to that protest . . . .[5]

By the first clause of the title it purports to be an act to provide for the continuance of the construcion of all or any part of the public works of this State by private companies, and its friends claimed for it a higher title of *"the great relief measure."*

The bill, as it was first presented to the House, was drawn up I believe, in part by Mr. Marshall, in part by Messrs. A. W. and T. A. Morris, and in part by his excellency Governor Bigger. In the arguments in favor of the bill, it was asserted that by the provisions of this bill it would be the interest of the associations forming under it to purchase up State Bonds, thereby to own all the public works in the State, and that by these means the State would get out of debt. By this argument many were brought to the support of the bill. It was believed too, by many that the early and certain completion of the Madison and Indianapolis rail road was secured, and this was all that was hoped for or expected by the originators of the law as far as public works were concerned, and under this belief the vote of several members living on the line of that work were gained to its support. . . .

. . . .

. . . On the various public works, in the southern portions of the State, about six millions of dollars have been expended, while

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that companies will be formed to complete that work and that they will be able to sustain themselves in the undertaking." He went on to say that opposition to the bill "was not confined to either of the two political parties. A few Democrats opposed it on account of their uncompromising opposition to corporations, but the principal and most bitter opposition was made by the 'glorious system' men, and the devoted friends of Noah Noble and Jesse L. Williams were mad enough to think that the State can go ahead and complete all the works contemplated." Fort Wayne *Sentinel,* February 5, 1842.

[5] This protest is cited above, 326n.

on works north of the national road, connected with the system of Internal Improvement, only 625,000 dollars have been expended and $500,000 of this sum has been expended near the seat of government. The northern portion is equally bound with the southern part of the State for the payment of the State debt, and I have no doubt but a large portion of it will ultimately be paid by funds contributed from the north of the national road.

For the idea that any part of the State debt will be paid under the provisions of the bill I hold to be most idle and preposterous. There will be no inducement to such a course. The companies, if any such should form and finish ten miles or more will have nearly the whole benefit of all the money expended by the State without purchasing that benefit by a redemption of State Bonds.

. . . .

But as stated above the passage of this mammouth incorporation bill was urged as a mode of relieving the people from their State debt. It was urged that the companies would buy up and return to the State her Bonds in payment for the finished parts of the works, to an amount equal to the expenditure heretofore made thereon, and this provision was much dwelt upon by its friends. The question is, will any State Bonds ever be returned to the State under this provision? I think not . . . companies always pursue their own interest by the most direct way, and a close inspection of the law will show that it contains provisions under which the companies can avail themselves of all the advantages of the finished part of any work on cheaper terms than by paying for it in State Bonds, even if those bonds should depreciate to fifteen cents on the dollars.

. . . .

I have another objection to the bill as it finally passed. Under its provisions the State may be literally "shingled over with corporations." A company may be formed for each ten miles, and I believe there is about 1,000 miles of unfinished canals and roads in Indiana. One hundred Companies may therefore be formed. . . . From what we know of such associations that have gone before we may guess what will be the history of these. The expenses incurred in preparing for operations and the necessary show of commencement will have exhausted the cash capital of the company and a blow out ensues. But unwilling to be loosers in the speculation the members of such association will remunerate themselves by frauds practised on the community before they dissolve. . . .

. . . .

. . . This law is one of those expedients that whether it fails or succeeds in its purposes [it] is destructive of the best interests of the State. If it succeeds the people bear a heavy burden for the benefit of the favored few. If it fails we lose time, deceive ourselves, waste our strength, involve ourselves deeper in debt, suffer much we have already done to decay, and present to the gaze of the world the sickening spectacle of a young, vigorous and free people quailing before a light wind of adversity. In either case the passage of the law must result in evil and only evil to the State.

. . . .

M. S. Wines

Woodlawn, Feb. 22, 1842

English Bondholders to Bigger[1]

London, 25th April, 1842

To Samuel Bigger, Esq., Governor of the State of Indiana:

Sir:—At the request of several parties, holders of the Bonds of the State of Indiana, resident in England, we have undertaken the duty of transmitting to you the enclosed document.

The failure of the State to make provision for the punctual discharge of its engagements has necessarily caused intense disappointment in this country, and this feeling has been greatly aggravated by the impression that in some of the proceedings of your legislature, at its last session, these efforts which are really within its power have been relaxed, and a disposition has been indicated to question the obligation of engagements for the discharge of which the faith and honor of the State have been solemnly pledged.

It is under these circumstances that the holders of the Bonds of Indiana, in this country, have deemed it to be their duty to address to you their remonstrance. Many, residing at a distance from London, have not been able to add their signatures to the enclosed document, but in letters to their correspondents here, they have expressed their perfect accordance with the sentiments therein expressed; and we regret to add, that there are many instances among them in which great inconvenience and distress are occasioned by the want of the dividends on their Bonds, on which they had relied as a certain source of income.

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[1] Indianapolis *Indiana Journal*, June 22, 1842.

In submitting this statement, on their behalf, to you, as Governor of the State of Indiana, we beg to assure you that it will afford us unfeigned satisfaction to be enabled to remove the painful impressions under which it has been drawn up. However much the present temporary inability of Indiana to make provision for its engagements as they become due may be the cause of inconvenience and regret to its creditors in this country, we feel considerable confidence that these evils would be submitted to with less impatience if the more painful doubts, which affect the sincerity and good faith of the State, were effectually removed. We are, sir, your most obedient servants,

BENJ. WIGGIN
SAM'L JONES LOYD
GEO. W. NORMAN

We request the favor of your reply to be addressed to the care of Mr. Charles Stokes, No. 23, Threadneedle st., London.

[Enclosure]

[March 24, 1842]

TO SAMUEL BIGGER, Esq., Governor of the State of Indiana:

SIR:—In consequence of the recent proceedings of the Legislature of Indiana with respect to the debt contracted by that State, we, the undersigned, being holders of the Bonds of the State, resident in England, are compelled to address to you and to the people over which you preside, our serious remonstrance.

The Interest actually due upon these bonds is unpaid, no provision has been made for the liquidation of the interest now in arrear, nor for the punctual discharge of the future dividends as they shall become due; whilst the Taxes which had been assigned, by an act of the legislature of 1841, for securing the payment of the future interest, have, as we are informed, been either repealed or appropriated to other purposes.

The circumstances under which we address you, compel us to adopt language which, without violating the respect due to the presiding Authority of an Independent State, shall be suitable to the extraordinary character of the emergency. When public faith is at issue, and the honor and integrity of a free people are brought under question, we are bound to state our complaints and demands in plain and unequivocal terms.

The Bonds which we hold declare, in the clearest manner, that the State of Indiana is indebted to the Bearer of each Bond, whoever he may be, for the payment of the interest as it becomes due, and of the principal sum at a time fixed. They further set forth that this obligation on the part of the State is contracted under the authority of an act of the legislature passed for that special purpose, and they conclude with the distinct declaration that for the payment "of the interest and the redemption of the principal, the faith of the state of Indiana is irrevocably pledged."

The English who invested their money in these securities, did so in full reliance upon the character of the people, upon a due consideration of the condition and promising prospects of the State, and of the purposes of public utility for which the Bonds were understood to be issued. Resting their confidence upon these grounds, and acting upon the belief that the money which they lent was destined to be applied in promoting the development of the resources and advancing the prosperity of an industrious and rising people, they required no exhorbitant rate of interest, but purchased the Bonds on terms which gave no more than a fair remuneration for lending capital in a distant land.

In respect, therefore, to our claim upon the State, arising upon the Bonds now in our possession, there exists no ground whatever, nor the slightest shadow of a pretence, upon which it can be honestly and honorably questioned.

If Indiana has acted imprudently by incurring a heavier debt than she gave us reason to believe she intended to do; or if she has indiscreetly entrusted any portion of her Bonds to incautious agents or dishonest contractors among her own countrymen of the United States, without taking adequate care to secure the faithful discharge of the obligation or debts of these persons to her, these circumstances furnish no justification or excuse of the non-fulfilment of her contract with us. That contract is complete in all its forms. Its language is clear and distinct, incapable of any doubtful interpretations, and has never been questioned by the Executive or Legislative authorities of Indiana during the period of several years which has elapsed since the Bonds were issued.

Neither can we believe that the amount of the Bonds which are to be provided for is such as the State of Indiana would find it difficult to discharge. But it is unnecessary, and, indeed, hardly proper for us to enter into this question. Neither the utility or otherwise of the past expenditure of the State, nor the greater or less degree of pressure which the punctual and honorable discharge of their engagements may impose upon the people of Indiana, can afford any ground for invalidating the claims of those who have lent their money to the State in good faith and upon conditions which are simple and explicit. Every honest and wise people will cheerfully make whatever efforts may be requisite, and submit to the sacrifices necessary, for the preservation of its credit and the redemption of its faith solemnly pledged. As creditors of the State of Indiana, we call upon her to make these exertions for the purpose of meeting our just claims, and in obedience to those great principles, the violation of which must always bring injury as well as dishonor upon nations even more than it does upon individuals.

The interest is now unpaid for two half years. We abstained from any remark on the non-payment of that due in July last, because we were aware that the legislature of the State in the preceding session, had adopted the report of the Judiciary Committee on the 22d January, 1841, which distinctly acknowledged the responsibility of the State for all the Bonds that had been issued under legislative sanction, and had passed a bill to raise taxes for future payment of the interest, and also had made a temporary provision for the payment which would be due before those taxes could be collected. We were further aware that the failure of this provision arose from the peculiar condition of the money markets and was not imputable to any neglect on the part of the State of Indiana.—We waited, therefore, till the legislature should again re-assemble, in full confidence that it would adopt such further measures as might be necessary to do justice to the Bondholders.

It is with the greatest astonishment, therefore, that we have recently learned, that in the session of the present year, the legislature has repealed the tax bill passed on the 13th February, 1841, which distinctly pledged certain taxes for the payment of the interest of the debt, and has separated without making any provision whatever for liquidating the claims of the Bondholders of the State.

This is an occurrence of the gravest character. It is, we believe, the first instance in the history of the world, in which any legislative assembly, representing the People of a sovereign State, has deliberately refused to recognize its obligations; and it is scarcely credible that this can have occurred in one of the States of the North American Union. The effect of this procedure has been to occasion an universal discredit on every security originating in the United States. States bound together by a common union must, in the estimation of the world at large, possess a common character, and the honor or disgrace which may fall upon any one of them must seriously affect the interest and reputation of all the others with which it is united.

In addressing this remonstrance to you as Governor of the State of Indiana, we consider that we are making a solemn appeal to the honor, to the integrity, and to the public principle of the people of the State. We are confident that we are appealing to a community sensible of these high considerations, and that our appeal will meet with the only proper response.—It is therefore our wish and request that it be made known generally to the people of Indiana.

We call upon Indiana to redeem her engagements, and thus to preserve the sanctity of her pledged faith. By this means alone can she remove the stain which now rests upon her credit, and necessarily brings into disrepute all the sister States of the United Republic.

We have requested Mr. Benjamin Wiggin, Mr. Samuel Jones Loyd and Mr. George Warde Norman, of this city, to transmit to you this remonstrance, and to receive such communications as you may be pleased to address to us in reply.

London, 24th March, 1842

. . . .[2]

Governor Bigger and Superintendents of the State Prison: Memorandum of an Agreement[1]

[May 1, 1842]

This memorandum of an agreement made and entered into between the State of Indiana, by Samuel Bigger, Governor of the said State, of the one part, and Joseph R. Pratt and John McDougal, superintendents of the state prison of said State, under the name and description of Pratt and McDougal, of the other part, witnesseth, that, whereas, the Governor of said State was, by an act of the General Assembly, being an act to amend the several acts for the regulation of the state prison, approved January 31st, 1842, directed to purchase a lot of ground as a suitable site for a state prison, and as soon as he should adopt a plan for said prison, to contract for the erection of one wing of cells, etc., which site has been obtained and plan adopted;[2] and, whereas, also, the said Governor, by the said act, is authorized to compound with said superintendents in relation to their contract, on the best possible terms for the interest of the state or to so modify or rescind it, with their assent, as to put it in the power of the State to avail herself of the labor of the prisoners in the erection of the contemplated new prison, together with such materials of the old one as may, with advantage be wrought into the new, for which object the sum of five thousand dollars was appropriated by said act. It is therefore

[2] The names of the 47 persons who signed the letter are printed in the Indianapolis *Indiana Journal*, but have been omitted here.

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[1] *Senate Journal*, 1843-44, pp. 606-7.

[2] The site of the new prison was at the west edge of Jeffersonville.

agreed, by and between the said State of Indiana and the said superintendents, that the original contract between them and the said State shall remain and continue as heretofore, except so far as herein modified; that the said superintendents shall commence and continue the construction of said new prison, on the said site, as the amount of profits accruing to the State, arising from the labor and employment of the prisoners, and the sum or sums appropriated by the State will enable them. That the said superintendents, in all the work they do and perform on said prison, shall, in all things, conform strictly to the plans, drafts, designs, and specifications prepared by J. Elder, and herewith delivered to said superintendents, a duplicate of which is retained.[3] For all work done and performed on said prison, said superintendents shall be allowed the following prices:—

1. For furnishing all the materials and putting up the stone foundation of the cells, at the rate of two dollars per perch of stone;

2. The furnishing all the materials and putting up the stone work of the outer wall, outside the cells, including the foundation of said wall and the foundation of the front building, at the rate of four dollars and twenty-five cents per perch of stone—a perch of stone, as used in this agreement, contains twenty-five cubic feet;

3. Sills and caps of stone, running the whole length above and below the doors of the cells, one dollar and twenty-five cents per foot, running measure;

4. For furnishing bricks and all other materials in putting up the brick walls, and putting up the same, the materials and bricks saved by the doors, windows, and other openings deducted, six dollars per thousand brick. The pavement of the cell floors to be seventy-five cents per square yard. The grouting between the cells, to be estimated with the brick work, at the same price;

5. All the iron to be furnished, and the iron work to be made

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[3] John Elder, designer and builder of many early Indiana buildings. A search in the Archives Division of the Indiana State Library failed to produce these drawings. The specifications are printed in the *Senate Journal,* 1843-44, pp. 608-11. An article, "John Elder: Pioneer Builder," by Kenneth Loucks is in the *Indiana Magazine of History,* 26(1930): 25-33.

and put up in its proper place in the building, complete, at the rate of eleven cents per pound, to be weighed when the same is prepared, ready to be placed in the building;

6. The excavation of earth in preparing the site, at the rate of twenty-five cents per cubic yard;
7. Materials for wood work and carpenter work in said prison to be estimated at the usual and customary prices, and also the roof of said prison;
8. The stone work shall be measured to ascertain the number of perches in the wall;
9. The said Governor reserves the right of selecting a suitable and properly skilled person to superintend the construction of said prison, the compensation of said person to be paid by said superintendents out of the joint proceeds of said prison;
10. All materials taken and used from the old state prison, to be removed and put up at such price as shall be reasonable;
11. A deduction in the number of cells may be made at the option of said Governor.

SAM. BIGGER,
PRATT & MCDOUGAL

May 1st, 1842.

Bigger: Proclamation Organizing Madison and Indianapolis Rail Road Company[1]

[June 20, 1842]

Whereas notice was given by the undersigned, Governor of the State of Indiana, in the Journal of Commerce, a paper printed in the city of New York, for one month of the intention of the State of Indiana, to let or sell her public works to companies, pursuant to the provisions of an act entitled "an act to provide for the continuance of the construction of all or any part of the public works of this state by private companies, and for abolishing the Board of Internal Improvements, and the offices of Fund Commissioner and Chief Engineer," approved January 28, 1842.

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[1] Governors Correspondence, Archives Division, Indiana State Library.

And Whereas pursuant to the provisions of the act aforesaid, James P. Drake, Benjamin Irwin, Henry Bradley, Jesse Williams, and E. G. Whitney, were, after the first day of April A. D. 1842, and after the publication of said notice in the New York Journal of Commerce for one month as aforesaid, duly appointed commissioners to receive subscriptions of stock for continuing the construction of the Madison and Indianapolis Rail Road, from or near Griffiths in Jennings county, to some convenient point in the town of Indianapolis, on the application of N. B. Palmer, Samuel Merrill, D. Maguire, James Blake, and Nathaniel West, freeholders and citizens of this State.

And Whereas, there has been this day deposited and filed in the office of the Secretary of State at Indianapolis, the copy of a statement made out by the Board of Directors of the Association hereinafter designated in conjunction [with the] commissioners aforesaid, and certified under their hands, [and a] complete statement of all their respective actings and doings in the premises; which copy is duly certified under oath by the Secretary of said Board, from which it duly appears, that stock to the amount of ten thousand dollars in cash and upwards has been subscribed according to law as the capital of said Association: and that on the 17th day of June A. D. 1842, at an election held at the town of Columbus according to law, Harvey Bates, James Blake, James P. Drake, Nathan B. Palmer, Nathan Kyle, Zachariah Tannehill, James M. Ferrall, John M. Gwin, John C. Hubbard, John Sering, S. S. Gillet, A. W. Flint, and James Cochran were chosen Directors of said Association; and said Directors being thereupon notified of their said election by said Commissioners, met on the day and at the place last aforesaid, and organized by electing Nathan B. Palmer, President of said Board, Benjamin Irwin, Treasurer, and George E. Tingle, Secretary; which Board of Directors being thus organized at their said meeting, agreed and ordered that said Association should be known and called by the name of "The Madison and Indianapolis Rail Road Company."

Therefore, I, Samuel Bigger, Governor of the State of Indiana, being fully satisfied from all that has been done and acted in the premises, that the provisions of the act above referred to have been substantially complied with, and no other association, company, individual or individuals having made application to continue the construction of said Public Works, do, by virtue of the authority vested in me by said act, make known to all to whom these shall come, that the association aforesaid which have assumed the name of "The Madison and Indianapolis Rail Road Company," is duly organized and entitled to all the rights, privileges, franchises and immunities intended to be conferred by the act aforesaid.

In testimony whereof, I have hereunto set my hand, and caused to be affixed the seal of the state, at Indianapolis, this twentieth day of June A. D. one thousand eight hundred and forty two, the twenty sixth year of the State, and, of the Independence of the United States, the sixty sixth.

[Seal]

By the Governor, SAM BIGGER
WM SHEETS, Secretary of State

Bigger: Thanksgiving Day Proclamation[1]

[October 25, 1842]

The approaching close of another year, crowned with the richest blessings of a beneficent Providence, renders it peculiarly appropriate to maintain the custom of our Fathers in publicly returning their tribute of annual praise to the Giver of all Good. The general prevalence of health; the abundance of the fruits of the earth, in return for the labor of the husbandmen; quiet and harmony throughout the length and breadth of our beloved country; the removal of those causes, which for so long a time threatened war on our borders, call for united expressions of the liveliest gratitude, to the Supreme Ruler of the Universe.

In obedience, therefore, to the custom aforesaid, I, Samuel Bigger, Governor of the State of Indiana, do hereby name Thursday, the 24th day of November next to be observed in this State as a day of Public Thanksgiving to Almighty God, for all his goodness vouchsafed to us throughout the present year; and in humble reliance on his guardian care and protection, to ask a continuance of the favors and blessings which are His to bestow, and for us to receive with grateful acknowledgments of His kindness and favor.

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[1] Indianapolis *Indiana Journal,* November 9, 1842.

Done at Indianapolis, this 25th day of October, in the year of our Lord, one thousand eight hundred and forty-two.

Sam'l Bigger

By the Governor
Wm. Sheets, Secretary of State

Treasurer of State: Report on Three Per Cent Fund[1]

Treasurer's Office,
Indianapolis, 31st Oct. 1842

To the General Assembly of the State of Indiana.

I have the honor herewith to lay before the General Assembly a statement of the condition of the 3 per cent. fund.

Respectfully,

Geo. H. Dunn,
Agent 3 per cent. Fund

The total amount of the 3 per cent. fund received from the United States to the present date, including premiums on drafts sold, is		$497,299 37
The payments from this fund on the various appropriations to roads, rivers, and counties, prior to 1st November, 1841, was	$488,903 51	
The total amount of incidental expenses to 1st November 1841, was	5,053 94	
There has been paid to the several counties the present year	1,715 74	495,673 19
		$ 1,626 18

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[1] *Documentary Journal,* 1842-43, House Doc. No. 3.

Leaving on hand subject to the order of the proper commissioners, the sum of $1,626 18.

Nothing has been received on account of this fund since my last report. The reason for this fund being withheld was the subject of a special communication made at the last session of the Legislature.[2] The position then assumed by the Secretary of the Treasury of the U. States, is still maintained, and until the State is able to meet the interest falling due on her bonds held by the United States, it is presumed her instalments of 3 per cent. will continue to be applied to that purpose.

The sum now on hand belongs to the following counties in the proportions stated.

Allen county		$494 22	Pike	do	190 38
Bartholomew	do	372 05	Sullivan	do	282 38
Jackson	do	282 38			

Treasurer of State: Annual Report[1]

Treasurer's Office,
Indianapolis, Nov. 22, 1842

To His Excellency, Samuel Bigger, Governor of the State of Indiana

Sir—I herewith submit the annual statement, required by law, of the receipts and expenditures of the State, and the operations of the State Loan Office.

Statement A, which is appended exhibits the items of receipt and expenditure between the 1st of November, 1841 and 31st October, 1842 inclusive, on account of the treasury proper, college and saline funds, and the balance on internal improvement account. Statement B, exhibits in detail the items of receipt and expenditure on internal improvement account. The result of the whole shows the entire receipts to have been $1,748,859 98; and of the expenditures $1,177,218 73.

The sum realized from revenue of 1841, amounts to $393,916 32 and nearly the entire sum has been paid in treasury notes

[2] See above, 354-55.

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[1] *Documentary Journal,* 1842-43, House Doc. No. 2.

and the interest thereon, and of the residue a large portion consisted of Illinois and other uncurrent money, which having been received by collectors in good faith, and while current, it was thought proper to receive of them. Owing to the depression in the value of treasury notes, I have been enabled to make exchanges so that no loss, from this source, will result to the State.

The item of $47,000 of treasury notes mentioned in statement A, is the residue of the one and a half millions authorized by the act of 1839-40, for the relief of contractors and others engaged on the public works,[2] the whole of which sum has been expended except $460 96.

The item of $70,000 of treasury notes mentioned in the same statement is for the one fourth per cent. notes issued under the act of last winter,[3] designed for the redemption of the fifty dollar treasury notes, of which $41,250 have been so redeemed.

These exchanges were rapidly called for until the resumption of specie payments in Ohio depressed the whole treasury note issue, and destroyed the distinction that had before existed between the five and the fifty dollar notes.

The item of $29,476 32 in the same statement is the amount of common school fund derived from surplus bank dividends and interest at the sinking fund loan office, remaining after payment of the interest on the State debt created for banking purposes.

In the estimates of last year, this item was set down at $60,000. But the legislation of last winter changed its appropriation, and only the balances due for the former year have been received.[4] The payment of that portion of these balances due for dividends, was delayed by the bank, with the intention of setting off against it, the debt due by the State on internal improvement account. But, after provision was made for the payment to the bank of that debt in the five per cent treasury notes,[5] it was agreed that these balances of dividends should be paid to the State in the same currency.

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[2] *Messages and Papers of David Wallace,* 331-32n, 424; *Laws of Indiana,* 1839-40 (general), pp. 17-21.

[3] See above, 267-68n, 334-35.

[4] A reference to the act converting income from various funds into bank stock which was repealed. See above, 297n.

[5] See above, 331n.

But for this money, the treasury would have been entirely without the means of meeting the liabilities of the last six months, and the discount on this paper has sometimes been so great, that many persons having claims upon the State have declined to receive it, and their demands remain unsatisfied.

This want of good funds has occasioned the utmost inconvenience in making payments of postage and other bills requiring bankable money, and of sums under five dollars; and has required the use of considerable portions of the principal and interest of the trust funds, for which the State should make proper remuneration.

Of the sum of $7,810 58 charged in statement B, as interest received on the mortgages given to the Lawrenceburgh and Indianapolis Railroad Company, $7,211 50 was an amount of such interest paid into the Lawrenceburgh Branch Bank and heretofore retained on account of the debt due that branch by the State; but which, under the arrangement above spoken of, has been paid in five per cent. treasury notes.[6]

Under the joint resolution on the subject of a resumption of specie payments and other purposes, approved January 31st, 1842, there have been issued five per cent. treasury notes to the amount of $722,640, and of the same paid to the bank $722,638 64 in discharge of the debt due from the State for internal improvement purposes.[7]

Of the scrip authorized for the construction of the Wabash and Erie Canal below Lafayette, there has been prepared $196,000; and of the same paid out on that work $102,041 92. Leaving in the treasury, $93,958 08, the most of which, it is supposed will be required within the present winter.[8]

By the act providing for the construction of the public works by companies, it is made the duty of the Treasurer of State to endorse and register in his office the scrip issued by such companies.[9] In performance of that duty, I have endorsed and registered scrip to the amount of $33,000, issued by the Madison and Indianapolis Railroad Company, predicated upon appraisement of land filed in my office.

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[6] See above, 284.

[7] See above, 68n, 331n.

[8] Issuance of canal scrip was authorized by Section 3 of the act for completion of the Wabash and Erie Canal passed at the previous session. *Laws of Indiana*, 1841-42 (general), pp. 24-25.

No application for a like issue has been made by any other company.

Statements C, D, E, and F, respectively exhibit the operations had in relation to the college, saline, and congressional township and bank tax funds.

The balances of cash on hand at the close of the year ending 31st October, 1841, belonging to the saline fund, being $4,924 20 and to the bank tax fund, being $792.07, were duly deposited in bank to the credit of the commissioners of the sinking fund, and were by them invested in bank stock at their November session 1841, as required by the then existing law; and these funds are now deriving dividends therefrom.

The payments into the treasury on account of interest on the trust funds have fallen short of those of the preceding year. Every indulgence within the power of this office has been extended to delinquents, and it is only within the last month that the sales postponed by the act of last session,[10] were closed. A large list of mortgages now remain for foreclosure, and must result in throwing upon the several funds a considerable amount of unsaleable lands. Yet, there seems no other course to pursue. The expense of prosecuting on the notes, with the little prospect of advantage which the times afford, will forbid any general resort to that remedy. And if no coercive measures are taken, those who are now punctual will soon cease to be so, and the accumulation of interest, will in a short time exceed the value of the land held in security.

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[9] *Ibid.*, 13.

[10] *Ibid.*, 89. The act read, "In all cases where any lands have been purchased by the State of Indiana, on any sale made on mortgages given for loans from . . . [the] funds, the original mortgagor, his heirs or assigns, shall be allowed to redeem the same at any time within six months from the passage of this act, by securing to the satisfaction of said commissioner or agent the amount which was due upon such mortgage at the time of sale, and by the payment of the interest and all costs due thereon, payable in five years from the time of redemption, the interest to be charged at the same rate of the original mortgage, and payable annually in advance."

It is gratifying to state that, notwithstanding the great difficulty of obtaining such money as would procure eastern exchange, the mortgagers to the Lawrenceburgh and Indianapolis Railroad Company, have very generally availed themselves of the favorable terms of payment offered by the act of last session.[11] A very limited amount of these payments were made by the 1st July last, when authority was given to the Treasurer to sell the delinquent mortgages. But it was thought due to the times that every indulgence should be extended, especially as the security of the State was ample, and therefore no sale has yet been made.

Up to this time there has been deposited with me in State bonds, and dividend warrants past due, attached, in payment of the principal on these mortgages $176,330, and of interest $3,552, making a total of $179,882. Leaving about the sum of $44,000 yet unprovided for; but it is presumed, that more than half of this amount will be paid shortly and only about $20,000 of these mortgages ultimately be sold; and so far as I have knowledge of them they will in all but two or three cases produce the amount due upon them. Whatever may remain has to be made good to the State, before any of the mortgages can be finally discharged.

Application it is understood will be made to extend further time to delinquents on these mortgages. No injury can arise to the State from such indulgence, as all the mortgages are held as security until the entire sum is discharged. But it may occasion inconvenience to some of those who have paid up and who may rely upon a sale of their lands when released from this lien, to refund money borrowed for the purpose of discharging it. Should any such indulgence be therefore asked and granted it might be proper to require that those obtaining it should make the State secure in some other way, so that those who have discharged their mortgages, may have them satisfied.

Should any further legislation be had on this subject, whereby the sales shall be postponed, I would suggest that the law be so amended as to authorize the absolute sale of the land in those cases where for failure to pay interest, the same has become forfeited to the State, and in those cases where the interest has been paid, that the right of the State to receive the future instalments and to foreclose on failure to pay be disposed of. In most of the cases that will remain unsatisfied, such forfeitures have taken place, and will no doubt remain so until sold, and the purchaser under the present law must proceed to foreclose in the usual way, thus occasioning double cost and trouble, and of course impairing the facility of sale.[12]

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[11] *Laws of Indiana,* 1841-42 (local), pp. 134-35.

One section of the act authorizing these payments, provides that, they shall be made in bonds of the State, "which have been fully paid for." I have found it very difficult in many cases of bonds offered, to decide whether they were fully paid for or not; and I would therefore request, that those received should be examined by some appropriate committee, before the mortgages are finally discharged.

In addition to the above, 209 state bonds have been filed in my office by N. Noble, late fund commissioner, redeemed by him.

There exists no law, I believe, requiring these or any other bonds, when redeemed, to be filed in the treasury. Yet there seems a manifest propriety that such should be the case, and that here they should be counted and examined by some appropriate committee and then cancelled, as in the case of the treasury notes; and I beg leave to suggest that subject to the attention of the legislature.[13]

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[12] The Assembly passed an act amending the act of the previous session, and extending its provisions to January 1, 1844, "on the condition that mortgagers desiring such delay shall give security to the satisfaction of the Auditor and Treasurer of State, for the payment of their respective debts at the time above specified, with all interest and charges that may have accrued thereon." The act carried further provisions regarding sales by the state and allowances to mortgagors. *Laws of Indiana,* 1842-43 (local), pp. 133-34.

[13] The Assembly passed a joint resolution providing for counting and canceling state bonds received by the treasurer. In line with this the House ways and means committee, during this session, examined, counted, and defaced 646 state bonds amounting to $653,975. *Laws of Indiana,* 1842-43 (local), pp. 206-7; *House Journal,* 1842-43, pp. 782-83.

It is understood that about $28,000 of state bonds belonging to the banks, has been paid under the operation of the act of last session authorizing the transfer of surplus bank stock for that purpose.[14] A further amount of about $12,000 has been paid by the application of surplus bank dividends to the same object. A like application will continue to be made, and it is presumed all the bonds held by the bank, on account of the advance made of the 4th installment of surplus revenue, will be redeemed in the course of five or six years.

It ought to be remarked, that this operation is conducted without its appearing in any manner upon the Auditor or Treasurer's books, as is the case with all other state receipts and expenditures. This I think ought not to be continued, as the same results may be obtained and the harmony of the system established for conducting the finances of the State be maintained.

It is presumed that in the course of the year there have been as many of the state bonds paid off and redeemed, as will amount to the annual interest accruing on the state debt; and although it must continue to be a matter of regret that the State has been unable to meet this annual obligation; yet it is some relief to know that the amount of our state bond indebtedness has not increased, while near $400,000 of the treasury note debt has been discharged within the year.

The demands upon the treasury for the ensuing year will probably be as follows:

Unaudited and other claims not presented for payment, but due October 31, 1842	$15,000	
Balance due College fund	4,107	48
Balance due Saline fund	3,400	62
Balance due Estates without heirs	1,532	63
Balance county Seminary fund	480	40
	24,521	13

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[14] *Laws of Indiana*, 1841-42, p. 82.

For appropriations for ordinary expenses:

Public Printing	15,000
Distributing laws and Journals	700
Stationery	8,000
General Assembly	40,000
Judiciary	15,500
Probate Judges	4,500
Executive	6,100
Prosecuting Attorneys	1,700
Militia, (pay of Adjutant & Quart. Master Generals)	200
State House	3,000
State Library, (including pay of Librarian)	700
Transporting convicts to State prison	1,800
Specific appropriations	6,000
Contingent	1,000
	128,721 13[15]

The above estimate is formed on the supposition that the contemplated revision of the statute laws will be made at the ensuing session. Should this not take place, at least $20,000 may be deducted from the above amount.[16]

Time has added to the difficulties experienced at the last session in estimating the ways and means for the year's expenditure.

All the income of the State, however derived, applicable to current expenses, is by previous legislation made payable in treasury paper of some description or other; except payments for principal and interest due for land sold, or to be sold, on account of the Wabash and Erie Canal above Lafayette, and the sum due from the United States for the proceeds of the public lands.

This latter sum would be small under the most favorable circumstances, but, I perceive that it is designed to distribute, for the present at least, only the proceeds of the sales of public lands for the first six months after the act of Congress on that subject began to operate, notwithstanding the act was in force for a period of eight months or upwards.[17] Whether the residue is to be hereafter distributed, is unknown.

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[15] The general appropriation act covering these items is in *Laws of Indiana,* 1842-43 (general), p. 41. The act agreed with the treasurer's estimates with the following exceptions: public printing, $12,000; stationery, $6,000; General Assembly, $35,000; and state library, $300. The act also carried a $10,000 appropriation for the new state prison. See report of committee on ways and means and note, below, 598-605.

[16] See report on revision of laws, below, 523-26.

The amount said to be due Indiana on this account, is $26,877 66, from which is deducted, by the accounting officers of the treasury department, $13,975.00, being an amount of interest due on certain state bonds held by the United States, leaving only the sum of $12,902 66.[18]

Within the last year, the receipts for principal and interest on the canal lands above referred to, have amounted to $38,398 86. Heretofore this fund has been charged with the expenditure for construction and repairs of the canal, which it is presumed, will for the future more than be met by the tolls and water rents of that work, as will also the small amount of scrip, issued for the same objects, and yet outstanding.

Reliance therefore may be placed upon this source to produce as much this year as the last; perhaps more, by reason of the heavy emigration to be expected on the opening of the canal next season, causing new entries to be made and more final payments for lands already sold.

The sums thus procured will only equal one half the amount required for the year, and no portion except that derived from the United States, can be made available for the heavy expenditures required within the next four months.

To provide for the deficiency there seems to be no method save 1st, a new issue of treasury notes, or 2d, a re-issue of those taken in at the treasury, or 3d, the obtaining by way of loan the amount required.

Great and almost insuperable objections exist to any further issue of treasury paper, or when once redeemed, that it should be again used for ordinary expenses. Heretofore, its use has only been resorted to as a temporary measure to pay debts contracted in good faith, and with no view of paying in such paper; and notwithstanding the efforts made by the last General Assembly to keep up its value by making it receivable for many public dues, for which it was not before, yet, for the greater part of the past year, it has remained very steadily at about 35 to 45 per cent. discount, and now stands at 57 to 60 cents to the dollar, in the face of the demand created by the payment of the revenue due this fall and winter.

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[17] See above, 287, note 11.

[18] A reference to the interest on Indiana bonds held in trust by the United States for the Chickasaw Indians. See above, 354-55, and below, 492.

While such continues to be the case, it will be impossible for the State to defray expenses in this currency, if at all, with any show of justice to her creditors, or credit to herself. And should dire necessity compel a resort to the measure, it ought to be accompanied with the most strenuous efforts to elevate the currency by the creation of such absorbents as will inspire public confidence in its speedy redemption.

After the first of March next, not more than $600, or 650,000 of the one and a half millions first authorized will remain in circulation, and it is most probable that the establishment of such a rate of taxation as will call in the greater part of this amount within the next year will, in connection with the amount of interest due on the notes, make them quite equal if not superior to any other currency; and this must especially be the case, if the $700,000 lately issued to the bank should not too suddenly be forced into circulation; and that it will not be, is most probable from the course hitherto pursued with regard to it by the holders.[19]

Doubtless the fact of the State issuing a new lot of such paper for current expenses, would in some degree counteract the beneficial tendencies of the measures alluded to; and although a reissue of old scrip might be less injurious in this respect, it would be attended with considerable loss in the large amount of interest due upon it.

On account of these difficulties it may be advisable to borrow the amount required for the deficiencies of the coming year. And I have therefore endeavored to ascertain on what terms such an accommodation can be had from the state bank; suggesting that, it might answer all useful purposes and be more convenient to the bank to make the loan in the late issue of 5 per cent. scrip, endorsed, receivable for all debts due that institution.

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[19] By act of the preceding Assembly. See above, 331n, and below, 593-94.

There seems to exist no difficulty in obtaining the amount desired; with the privilege of repaying it in the same kind of paper; but objection is made by many branches to the proposition of endorsement, founded in the fear that the circulation of such a currency might injuriously affect that of bank paper and drive it home for specie.

No one can desire that the bank should be embarrassed by any new engagement with the State. All must have witnessed with pride and satisfaction the success that has attended her effort at resumption, and the high credit enjoyed by her circulation. Nor indeed, can she be injured without the interest of the State and community being in some degree affected by it.

The objection urged is founded on a well established law of currency, that an inferior will generally drive out a more valuable circulation. But this, it is conceived, can only result where the opposing currencies are somewhat equal in amount, and the inferior can in some degree meet the wants of the business community, and establish itself as the measure of value.

This State and the west generally, has just experienced a more rapid and perhaps greater reduction of currency than was ever before witnessed in this country; and it is to be hoped that we have got through with the evils always attendant upon such a decrease of circulation, aggravated as it was in the present instance, by the currency being also depreciated.

It is therefore more than probable that even the whole treasury note circulation might now be allowed to circulate side by side with that of the bank, without jostle or injury, if they could be brought more nearly to a common value.

It would be far better, however, that any renewed demand for currency should be supplied without resort to the treasury issues, and this may readily be effected, as has been suggested by such an appreciation of the old treasury notes, as may lead to their being retired on account of the interest upon them; and the way will then be open for the bank to satisfy the wants of the community with her own specie paying circulation.

I deem it therefore quite as important for the bank as for every other business interest that the efforts of the State to effect this object shall not be counteracted by her being compelled to continue the use of treasury paper any longer. And if the wants of the State for the year can be furnished in good funds, so that her income from all sources may be devoted to redemption of her paper, I believe the result anticipated will be produced without resort to any very burthensome increase of taxation.[20]

The hope may therefore reasonably be entertained that any proposition properly emanating from the State on the subject of this accommodation, will yet meet with a favorable consideration, and the credit of the State be thus saved from farther injury.[21]

Appended will be found a report on the condition of the college and saline lands, and the moneys received therefrom, made by

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[20] See also comments of the auditor in regard to treasury notes, below, 473, 476.

[21] See also Governor Bigger's message and report of committee on ways and means, below, 491-93, 598-605, on the means of meeting the current expenses of the state. On December 23, the treasurer replied at some length to a resolution of the House requesting him "to report the terms on which a loan can be effected with the State Bank or its Branches, for the amount necessary for the expenses of the current year." He respectfully suggested to the House the "consideration of the means by which it is proposed to repay the proposed loan. . . ." He reiterated the points made in his report here, and concluded, "The hope then of repaying the loan within any reasonable time, must rest upon such an increase of taxes as will relieve the State Treasury from the weight of this paper [outstanding notes] continually pressing upon it." He continued, "I have supposed that an increase of from 5 to 10 cents on the hundred dollars would effect this object . . . it is believed that public confidence in the paper would be at once restored, and much of it would again enter into general circulation, while large portions would be laid by for the payment of subsequent years' taxes, or to wait the ability of the State to redeem principal and interest in good funds. And thus after the first year, such funds will come into the Treasury as will be available for current liabilities." Ridding the state of the whole treasury note circulation would be advantageous to the Bank since it stood greatly in the way of any increase in Bank circulation. He concluded that any loan would be better if made in Bank paper, and he awaited instructions of the Assembly in the matter. *Documentary Journal,* 1842-43, House Doc. No. 12 (3pp.). *(Note continued on p. 462)*

A. W. Morris, under an appointment from this office. It will be found to contain a variety of information much desired and frequently called for. A slight difference is found to exist between the amount of loans as stated in the report and the amount of mortgages on hand, the cause of which has not yet been investigated for want of time.

The reports required of the commissioners of the saline and college lands under the act of last session, were received so recently that the necessary examination could not be made in time to submit a report thereon with the present.

All of which is respectfully submitted.

G. H. Dunn, Treasurer

A

Statement of Receipts and Expenditures at Treasury from November 1, 1841, to 31st October, 1842, inclusive

Receipts

To balance of Treasury proper	$ 18,432 25	
To balance of College Fund	6,418 48	
To balance of Saline fund	4,924 20	
		29,774 93

No such loan was authorized by the Assembly. However, the Assembly following the recommendations of the treasurer (and also of the auditor and the ways and means committee, see below, 473, 476, 602-3, 605), in regard to the treasury notes, passed an act "to provide for the reception of certain Treasury Notes in payment of County Revenue, and for other purposes." It made the 6 per cent notes and ¼ of 1 per cent notes receivable in payment of all debts due any county or the state whether for taxes or otherwise. They were also made receivable for debts due on loans from the various funds of the state. The sums thus received and required by law to be reloaned and paid out were to be reloaned and paid out on the same terms and conditions as then prescribed by law. The notes were also made receivable for Wabash and Erie Canal lands east of the Tippecanoe and to redeem canal land certificates. *Laws of Indiana,* 1842-43 (general), pp. 29-30.

An act was also passed, as recommended by the auditor (see below), providing that of the annual tax of twenty cents on each $100 valuation levied by the previous legislature (see above, 405n) for state purposes and the gradual redemption of treasury notes, 5 cents be set aside for the current expenses of government for 1843 and 15 cents for the redemption of treasury notes. *Ibid.,* 74-75. (The act previously passed had set aside 10 cents for redemption. *Ibid.,* 1841-42 [general], p. 73.)

From Revenue, 1841	393,248 22	
From Revenue delinquent, 1841	668 10	
From Revenue delinquent, 1840	1,163 54	
From Revenue delinquent, 1839	1,863 63	
From Revenue delinquent, 1838	12 01	
From Revenue delinquent, 1837	475 04	
		397,430 54
From incidental receipts	56 77	
From fees of Secretary of State	79 38	
		136 15
From Common School fund		29,476 32
From Loans of Indianapolis fund refunded		50 00
From Interest on Treasury loans		116 54
From Treasury loans refunded		57 00
From payment on sales of Indianapolis lots		1,369 12
From Treasury Notes issued (being residue of the 1½ million)		47,000 00
From Treasury notes issued for redemption of 50's..		70,000 00
From estates without heirs		130 24
From State Library (for books lost)		7 50
From Commissioners of College lands		1,516 91
From College loans refunded		4,835 00
From College loans interest		3,445 25
From Commissioners of Saline lands		1,283 40
From Saline loans refunded		3,107 00
From Saline loans interest		2,046 54
From Balance of internal improvement account		116,587 44
From Cash received for cost of advertising Saline lands		46 00
From Cash received for cost of advertising College lands		82 00
From Damages on sales of mortgaged lands to College		182 50

From Damages on sales of mortgaged lands to Saline	116 25
From Sale of mortgaged lands over paid	18 75
	$708,815 58

Expenditures

To cash paid to Judiciary		$ 13,378 59
To cash paid to Militia		176 63
To cash paid to Executive		8,349 81
To cash paid to State Prison		5,043 40
To cash paid to State Library		448 93
To cash paid to Specific appropriation		3,100 96
To cash paid to Probate Judges		4,460 00
To cash paid to Prosecuting Attorneys		2,033 45
To cash paid to Legislative		33,826 39
To cash paid for Stationery		2,476 13
To cash paid to Public Printing		6,170 22
To cash paid to State House		1,281 90
To cash paid to Governor's residence		535 03
To cash paid for revenue 1837, refunded	12 47	
To cash paid for revenue 1838, refunded	50	
To cash paid for revenue 1839, refunded	144 47	
To cash paid for revenue 1840, refunded	669 41	
To cash paid for revenue 1841, refunded	266 52	1,093 37
To cash paid for expenses of old Tr. Notes		87 20
To cash paid for expenses of redemption of 50's		705 00
To cash paid for expenses Presidential election		4 00
To cash paid for conscientious fines		14 00
To cash paid for Internal Improvement		196 25
To cash paid for Wolf scalps		1 00
To cash paid for Seat of Government		2,132 20
To cash paid for Contingent expenses		1,370 16
To cash paid for Saline fund expenses		6 00
To cash paid for Saline fund invested in bank stock		4,924 20
To cash paid on Saline fund loans		350 00

To cash paid for Saline fund mortgaged lands	2,842 57
To cash paid for College fund mortgaged lands	4,717 90
To cash paid for College fund loans	3,117 05
To cash paid for College expenses	4,556 66
Balance of cash on hand	601,416 58
	$708,815 58[22]

B

Statement of Receipts and Expenditures on Internal Improvement Account from 1st March to 31st October, 1842

[Excerpts]

Receipts

Wabash and Erie Canal East of Tippecanoe	44,349 27
White Water Canal	3,344 01
Northern Division Central Canal	1,154 76
Lawrenceburgh and Indianapolis Rail Road	7,810 58
Madison and Indianapolis Rail Road	8,878 70
New Albany and Vincennes Road	1,630 15
Dividends on Bank stock created from 3d instalment of surplus revenue	7,374 73
Collections from Eastern debts	6,000 00
Suspended debt	5,294 70
Compromise property	8,612 25
Proceeds of State bonds	113,410 00
Wabash and Erie Canal scrip East of Tippecanoe	51,340 00
Wabash and Erie Canal scrip West of Tippecanoe	196,000 00
Sinking Fund Treasury Notes	722,640 00
Treasury Notes refunded	8,547 62
Board of Internal Improvement	20 00
	$1,186,406 77

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[22] Following this is a list of warrants outstanding for 1842 totaling $944.72.

Expenditures

Wabash and Erie Canal East Tippecanoe	73,634 99
Wabash and Erie Canal West Tippecanoe	102,041 92
Erie and Michigan Canal	456 15
Southern Division Central Canal	12,087 39
Northern Division Central Canal	2,471 86
White Water Canal	2,898 87
New Albany and Vincennes Road	3,286 18
Jeffersonville and Crawfordsville Road	399 88
Madison and Indianapolis Rail Road	9,180 22
Cross Cut Canal	6,789 73
State Bank loan	722,638 64
Compromise property	32 22
Jersey City property	5,677 26
Suspended debt	6,418 89
Exchange and premium	1,080 62
State bonds	113,972 00
General contingencies of Board of Internal Improvement	1,287 66
General contingencies of Fund Commissioners	5,464 85
Balance on hand	116,587 44
	$1,186,406 77

C

Statement of the Receipts and Expenditures on account of College Fund during the year ending 31st October, 1842

Balance on hand	$ 6,418 48
Interest received	3,445 25
Cost of advertising	82 00
Loans refunded	4,835 00
Of J. M. Berry, commissioner	850 25
Of James Smith, commissioner	666 66
Damages on land sold	182 50
Over-payment on lands mortg'd by B. French	18 95
	$16,499 09

Loans	$ 3,117 05
Mortgaged land bought in	4,717 90
Seminary expenses	4,556 66
Balance	4,107 48
	$ 16,499 09

D

Statement of Receipts and Expenditures on account of Saline Fund during the year ending 31st October, 1842

Cash on hand, November, 1841	$ 4,924 20
Received interest	2,046 54
Received of A. Wilson, commissioner	1,228 40
Received of McPhetridge, commissioner	55 00
Loans refunded	3,107 00
Damages on sale of land	116 25
Costs of advertising	46 00
	$ 11,523 39

Loans made	$ 350 00
Invested in bank stock	4,924 20
Sales of mortgaged lands	2,842 57
Saline expenses	6 00
Balance on hand	3,400 62
	$ 11,523 29

E

Receipts and Expenditures on account of Congressional Township Fund during the year ending 31st October, 1842

Balance on hand	$ 644 95
Received for interest	34 00
Received for loans refunded	45 00
	$ 723 95

Paid township No. 10	$	150 00
Paid township No. 6		69 43
Balance on hand		504 52
	$	723 95

F

Receipts and Expenditures on account of Bank Tax Fund during the year ending 31st October, 1842

Balance on hand	$	792 07
Interest received		758 34
	$	1,550 41
By cash paid into Bank, to be invested in stock	$	792 07
Balance on hand		758 34
	$	1,550 41

Auditor of State: Annual Report[1]

AUDITOR'S OFFICE
INDIANAPOLIS, NOV. 22, 1842

TO HIS EXCELLENCY, SAMUEL BIGGER, Governor of
the State of Indiana

SIR:—Agreeably to the provisions of an "Act relative to officers of State," approved January 25th, 1841, I herewith submit to you the annual report of this department.

. . . .

No. 1. General Revenue

The amount of revenue remaining in the Treasury, provided all warrants audited up to 31st of October, 1841, were paid	$	29,763 07
1. The amount of revenue collected and paid by Collectors the year ending October 31st, 1841		393,248 22
2. The amount of arrears of taxes 1837		475 04

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[1] *Documentary Journal,* 1842-43, House Doc. No. 4.

3.	The amount of arrears of taxes for 1838	12	01
4.	The amount of arrears of taxes for 1839	1,863	63
5.	The amount of arrears of taxes for 1840	1,163	54
6.	The amount paid by purchasers of lots in Indianapolis	1,369	12
7.	The amount paid by administrators of estates without heirs	130	24
8.	The amount of incidental receipts	136	15
9.	The amount of treasury loans refunded	57	00
10.	The amount paid of interest on Treas. loans	116	54
11.	The amount paid by commissioners of University townships of Gibson and Monroe	1,516	91
12.	The amount refunded by borrowers of University Fund	4,835	00
13.	The amount paid by borrowers of University fund, as interest on loans	3,445	25
14.	The amount paid by commissioners of Saline lands	1,283	40
15	The amount refunded by borrowers of Saline funds	3,107	00
16.	The amount paid by borrowers of Saline fund, as interest on loans	2,046	54
17.	The amount paid by common school fund derived from bank dividends	29,476	32
18.	The amount of treasury notes	47,000	00
19.	The amount of loans of Indianapolis fund refunded	50	00
20.	The amount collected and paid as delinquent taxes of 1841	668	10
21.	The amount received of $5.00 ¼ per cent. Treasury notes for redemption of the $50's	70,000	00
22.	The amount received from State library	7	50
23.	The amount received on account of internal improvements	116,587	44
24.	The amount of cost of advertising sales of lands mortgaged to Saline fund	46	00

25. The amount of cost of advertising sales of lands mortgaged to Seminary fund	82 00
26. The amount of damages on sales of lands mortgaged to Seminary fund	182 50
27. The amount overpayed by purchasers of mortgaged lands, Seminary fund	18 95
28. The amount of damages on sales of lands mortgaged to Saline funds	116 25
	$708,803 72

General Disbursements

By audited warrants drawn on the treasury, from 31st Oct. 1841, to 1st Nov. 1842	$108,343 72	
By warrant No. 4087; revenue 1839, outstanding	7 86	
By warrant No. 1839, outstanding	2 00	
By warrant No. 1839, outstanding	2 00	
By warrant No. 5760, Pros. Attorney, outstanding	58 33	
By warrant No. 5763, Probate outstanding	36 00	
By warrant No. 5830, same	18 00	
By warrant No. 5771, Seat of Govern'nt	400 25	
By warrant No. 5839, State Prison	28 25	
By warrant No. 5846, same	39 50	
By warrant No. 5853, Specific	9 42	
By warrant No. 5806, State Library	354 97	109,300 30
Balance remaining in Treas. Nov. 1, 1842		$599,503 42

Items of Expenditure

1.	Revenue of 1837, refunded to collectors ....$	12	47
2.	Revenue of 1838, refunded to collectors		50
3.	Revenue of 1839, refunded to collectors	144	47
4.	Revenue of 1840, refunded to collectors	669	41
5.	Revenue of 1841, refunded to collectors	266	52
6.	Public Printing and distributing laws	6,170	22
7.	Stationery for State	2,476	13
8.	Indiana Legislature	33,826	39
9.	Salaries of Executive Officers	8,349	81
10.	Salaries of Prosecuting Attorneys	2,091	78
11.	Supreme and Circuit Judges	13,378	59
12.	Probate Judges	4,514	00
13.	Adjutant and Quarter-master Generals	176	63
14.	Expenses and repairs of State House	1,281	90
15.	State Library	803	90
16.	Indiana State Prison	5,111	15
17.	Specific Appropriations	3,110	38
18.	Contingent Fund for Governor	1,370	16
19.	Wolf scalp certificates	1	00
20.	Electors, &c. of Presidential election	4	00
21.	Seat of Government	2,532	45
22.	Militia fines distributed	14	00
23.	Expenses of Treasury Notes (old)	87	20
24.	Saline fund expenses	6	00
25.	Saline fund invested in bank stock	4,924	20
26.	Loans of Saline fund	350	00
27.	Mortgaged lands to Saline fund	2,842	57
28.	Loans of funds of State University	3,117	05
29.	Expenses of State Seminary	4,556	66
30.	Mortgaged lands to State University	4,717	90
31.	Internal Improvements	196	25
32.	Expenses of Governor's House	535	03
33.	Expenses of $5 Treasury Notes for redemption of $50's	705	00

34.	Total audited within the year ending Nov. 1, 1842	$108,343 72
35.	Balance remaining in Treasury	599,503 42
36.	Outstanding Warrants	956 58
		$708,803 72

The balance in Treasury is	$599,503 42

This balance is subject to the following deductions, the amounts having all been carried to the general revenue account, viz:

Balance of Seminary fund, No. 2	$ 4,107 48	
Balance of Saline fund, No. 3	3,400 62	
Balance of Estates without heirs, No. 8	1,532 63	
Balance of County Seminary fund, No. 6	480 40	
Balance of Common School fund, derived from bank dividends, No. 4	56,537 83	
Outstanding claims not presented for payment, but due Nov. 1, 1841	15,000 00	81,058 96
Leaving after deductions		$518,444 46

This balance consists in Treasury Notes as follows, viz:

In Wabash and Erie Canal Scrip, east Tippecanoe	$ 1,340 00	
In Wabash Canal Scrip, west Tipp.	98,190 00	
In 1-4 per cent. $5 scrip, about	30,000 00	
In old 6 per cent. Treasury Notes	388,914 46	518,444 46

Leaving in the Treasury as above shown nothing but Treasury notes.

Those received at the treasury for revenue will be submitted to a committee of the General Assembly, to be counted and burned, as provided in the seventh section of the act of last session. . . .

The large amount shown to be in the treasury, (in treasury notes,) is owing to the change made in the law fixing the time of settlement and paying over state revenue by the county treasurers.

. . . .

Under the present revenue laws the tax payer has from August until the 3d Monday in February following, in which to pay his taxes. It is believed that from August until January, ample time is allowed for paying. I have therefore to respectfully suggest that in this particular it would be better to restore the provisions of the law of 1841.[2]

From the above exhibit it will be seen that there is nothing in the treasury but treasury notes, which by law are to be cancelled and burnt.

Owing to the unexpected depreciation of our treasury notes, it is not probable that the taxes of 1842 will be paid in any thing else; consequently some provision must be made to meet the wants of the treasury for the coming year. Among other disadvantages consequent upon the depreciation of our treasury notes, aside from the great loss that every one has realized who has paid a debt in this currency since its depreciation, is, that of its having driven from circulation *par* funds. This is seen and felt by all.

Any measure therefore, which will have a tendency to increase the value of these notes, will be one of great and present relief to the people. Nothing in my opinion would so much strengthen the public confidence both at home and abroad, as to lay a small additional per cent. for their redemption, say 5 cents on the one hundred dollars valuation, and declare them receivable for ALL dues, which pass *directly* or *indirectly* through the state treasury.

So long as the State refuses to receive them for particular funds, so long will public confidence continue weak. . . .[3]

. . . .

State Prison

Total cost of all building up to Nov. 1st, 1841	$30,589 66
Total paid agents' salary	1,971 00
Total paid annual visiters	400 00

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[2] See act of December 24, 1841, amending act of February 12, 1841, in *Laws of Indiana,* 1841-42 (general), 129-30. No action was taken by this Assembly.

[3] See above, 458-62n.

Total paid for transporting convicts to	15,904 08
	48,864 74
Amount paid on buildings, during 1842	3,330 30
Amount paid for transportation of convicts during 1842	1,880 85
Total of cost and expense of State Prison	$54,085 89
Received for rents	21,725 00
Balance due to general fund from State Prison	$32,360 89

Means and liabilities of State Prison on the 1st day of Nov. 1841, as per report No. 1 of clerk of State Prison, viz:

Means

Amount due from sundry persons	$ 1,960 34
Amount of tolls on the various shops, brick yards, implements, oxen, &c.	1,980 15
Value of various manufactures from various shops, now on hand	1,295 00
Value of raw material on hand	0,375 00
Value of 3168 m. brick at $3 per m.	9,504 00
Total means	15,114 49

Liabilities

Amount due to various persons, including officers and guards of the institution, ($4,572 25 of which is due to Messrs. Pratt and McDougal)	8,214 83
Profit	$ 6,899 66

Report . . . Of Clerk of State Prison, up to May 1, 1842

Means

Amount of sundry debtors	$ 2,706 05
Amount of bills receivable	702 90
Amount of cash	58 72

Amount of tools in shops, brick yard, implements, oxen, plank, &c., &c.	2,150 00
Value of various manufactures from shops	1,135 00
Value of raw material on hand	350 00
Value of 2,000,000 bricks at the kiln at $2 50 per m.	5,000 00
Total means up to 1st May, 1842	$12,102 67

Liabilities

Amount due to Pratt and McDougal[4]	$ 6,396 76
Amount due to sundry creditors	3,855 22
Balance on credit side of general account being profit	1,850 69
Total liabilities, including profit to May 1st, 1842	$12,102 67

No report from May 1st to present period. The law requires the clerk of the prison . . . to make semi-annual reports to this office, on the 1st of November and May, annually.

The law in fixing the same day, (1st November,) as the day to which the auditor's report should be made, renders it impossible to receive the November report of the clerk in time to be incorporated in my annual report. I would suggest therefore, that the clerk's report be made on the 1st of April and 1st of October, annually, hereafter, to this office.[5]

. . . .

Treasury Notes

The law for the relief of the contractors on the public works, provided for the issuing of $1,500,000 of 6 per cent. Treasury Notes:

Up to 1st Nov. 1841, there has been signed, registered and paid out	1,453,000 00
During 1842 there has been issued in like manner	47,000 00
Making the whole amount of issue	1,500,000 00

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[4] Superintendents of the prison.

[5] The Assembly complied with this recommendation. *Laws of Indiana*, 1842-43 (general), p. 58.

Up to 1st Nov. 1841 there has been redeemed and burnt		147,700 00
Leaving		$1,352,300 00
There is in the Treasury about	389,000	
Less the interest, which is about	35,000	
		344,000 00
Leaving in circulation,		$1,008,300 00
There will be paid for revenue for 1842, after all deductions, about	220,000	
For delinquent taxes, 1841	30,000	
Making	250,000	
Deduct probable interest on this	37,000	
		213,000 00
Making the probable amount of Treasury Notes in circulation after 1st March next		$ 795,300 00

Showing too that at the present rate of taxation it will require about three years to redeem all the Treasury Notes in circulation: should, however, the Legislature not re-issue for the current expenses of the government, and should Treasury Notes be taken for all dues, including Wabash and Erie Canal lands, seminary and saline funds, it will not require two years to complete the redemption of all scrip for which the State is liable.[6]

. . . .

Recapitulation

Of Receipts and Expenditures on account of Internal Improvements, Wabash and Erie, and Wabash Canals, from 1st commencement up to 1st of November, 1842

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[6] See above, 461n-62n.

Receipts

1.	From sale of State bonds, (int. imp.)	$ 7,420,000	00
2.	From Premium on int. imp. State bonds	31,500	00
3.	From Int. on deposites and unsettled accounts, int. imp. fund	226,680	14
4.	From Interest on 3d instalment sur. revenue U. S.	171,352	40
5.	From State revenue, (int. imp. tax)	341,116	93
6.	From Sales of pub. property on lines of pub. works	602	56
7.	From Compromise property taken of Cohens and Josephs	67,078	80
8.	From Treasury Notes for contractors	1,304,357	59
9.	From Treasury Notes refunded by fund com'rs	8,547	62
10.	From Tolls and water rents of public works	36,394	95
11.	From Trespassing on W. & E. Canal	288	00
12.	From Sales of Canal lands, (¼ payments) ..	194,191	40
13.	From Interest on Canal lands	178,499	77
14.	From Final and partial payments on lands	79,841	26
15.	From Sales of State bonds for W. & E. Can. E. Tip.	1,727,000	00
16.	From Interests and premiums on bonds for W. & E. Can. E. Tip.	114,049	66
17.	From Tolls and water rents of W. & E. Can. E. Tip.	18,089	67
18.	From Treasury Notes on W. & E. Canal E. Tip.	140,194	79
19.	From W. & E. Canal scrip, signed by J. L. Williams	133,538	04
20.	From Lawrenceburgh and Indianapolis Rail-Road Co., interest	8,410	87
21.	From Suspended Eastern debt	6,294	70
22.	From Incidental receipts (exchange of gold W. and E. Canal E. Tip.)	24	15
23.	From Board of internal improvements	20	00

24.	From Sinking fund 5 per cent. scrip	722,640	00
25.	From Wabash Canal scrip W. of Tippecanoe	196,000	00
		$12,193,558	97

Total of Expenditures on Public Works

From the commencement up to 1st November, 1842, viz:

1.	Total expended on Madison & Indianapolis Railroad	1,524,289	77
2.	Total expended on New Albany and Vincennes road	675,241	47
3.	Total expended on Jeffersonville & Crawfordsville road	336,939	13
4.	Total expended on Lafayette and Indianapolis road	73,142	67
5.	Total expended on Northern Div. of Central Canal	841,419	31
6.	Total expended on Southern Div. of Central Canal	574,646	69
7.	Total expended on Impr. of Gr. Rapids, Wabash river	14,288	42
8.	Total expended on Eel River Cross Cut Canal	432,902	01
9.	Total expended on Wabash Canal W. of Tippecanoe	429,225	74
10.	Total expended on Erie and Michigan Canal	155,429	97
11.	Total expended on White Water Canal	1,101,224	22
12.	Total expended on Wabash and E. Canal E. Tip.	2,641,438	27
13.	Amount paid as int. on contractor's drafts, int. imp.	12,838	52
14.	Amount paid as int. on General contingencies b'd int. imp.	37,062	55
15.	Amount paid as int. on Contingencies of fund com'rs int. imp.	23,448	14
16.	Amount paid as int. on Premiums and exch'g on impr't funds	38,246	18
17.	Amount paid as int. on Interest on State bonds for impr'ts	969,432	24

18. Amount paid as int. on Interest on deposites for impr'ts	94,244 72
19. Amount paid as int. on compromise property, imp'ts	341,832 15
20. Amount paid as int. on unsettled accounts, imp'ts	58,775 35
21. Amount paid as int. on State bonds (Hypothecated) imp'ts	113,972 00
22. Amount paid as int. on Jersey City property	5,677 26
23. Amount paid as int. on State Bank loan to imp. fund	722,638 64
24. Amount paid as int. on Suspended debt due to impr'ts	6,418 89
25. Amount transferred to gen'l revenue ac't, imp. fund	136,092 87
26. Amount of Bank balances as reported by fund com's	27,425 54
Total of expenses of all public works up to 1st November, 1842	$11,388,292 72

. . . .

Public Debt

On account of the system of Internal Improvements and Wabash and Erie Canal.

1. Bonds sold on account of Internal Improvements up to 1st October 1842, as reported by fund commissioners	$ 7,420,000 00
2. Deduct for bonds redeemed as reported by M. G. Bright, fund commissioner	113,972 00
Leaving outstanding	$ 7,306,028 00
3. Bonds sold for Wabash and Erie Canal up to same period as reported by fund comsrs	1,727,000 00
Outstanding for the above purposes alone	$ 9,033,028 00
4. Bonds loaned to Lawrenceburgh and Indianapolis Railroad Company	221,000 00

5. Bonds sold to State Bank for 4th instalment of surplus revenue		294,000 00
6. Treasury notes in circulation on 1st Nov. 1842		1,008,300 00
7. Wabash and Erie Canal scrip in circulation on Nov. 1st, 1842		62,870 00
8. 5 per cent. Sinking Fund bank scrip created to pay the Bank for advances in 1839, for Imp'ments		722,640 00
Making		$11,341,838 00
This sum is subject to the following deductions, provision having been made for their payment, viz;		
4. Loan of bonds to Lawrenceburgh co. The company having nearly completed the purchase of bonds for payment of this debt, it may be considered withdrawn	221,000 00	
5. Bonds sold to State Bank for 4th instalment of Surplus Revenue, provision having been made last session[6] for the payment of the interest and the gradual reduction of the principal, which has been accepted by the Bank	294,000 00	
	$ 515,000 00	$11,341,838 00
8. 5 per cent. sinking fund Bank scrip the sinking fund having been pledged for redemption of both principal and interest, and the bank having accepted this scrip for the advances made in		

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[6] *Laws of Indiana,* 1841-42, p. 78.

1839 to Internal Improvement fund, it may be considered as withdrawn..........$	722,640 00	
		1,237,640 00
Leaving of Int. Imp., and Wabash and Erie Canal debt on which interest is to be paid the sum of		$10,104,198 00
On this debt interest has already accrued and will accrue to the first of January next as follows:		
1. On bonds for Int. Improvement, from 1st Jan. 1841, to 1st Jan. 1843, 2 years, at 5 per cent. ....$	742,000 00	
2. On $100,000 of W. and E. C. bonds 2 years, to 1st Jan. 1843, at 6 per cent.	12,000 00	
3. On $1,627,000 W. and E. Canal bonds 2 years to 1st Jan. 1843, at 5 per cent.	162,700 00	
4. On $1,008,300, 6 per cent. treasury notes to Jan. 1st, 1843, supposed	151,245 00	
5. On $62,870 W. and E. Canal scrip to 1st Jan. 1843, supposed	6,000 00	
6. Exchange on No. 1, 2, 3, at 3 per cent.	27,501 00	
		$ 1,101,446 00
Total indebtedness for system of Int. Improvements, and W. and E. Canal up to 1st Jan. 1843		$11,205,644 00

Means

The means of the State applicable to this indebtedness are as follows:

1. Balance due and owing for W. and E. C. lands		$ 431,735 36
2. Value of lands unsold		66,261 00
3. Tolls and water rents of W. and E. Canal for 1843, over repairs		30,000 00
4. Revenue of 1842, including delinquent taxes of 1841	$250,000	
Less an amount necessary for ordinary expenses of Government	114,000	136,000 00
5. Outstanding treasury loans		5,888 88
6. Outstanding loans of Indianapolis fund		40 28
7. Purchasers of lots of Indianapolis (say)		2,000 00
Making the means of the State		$ 671,923 52

But of the items enumerated above as means, but a small portion could be relied on as means for the ensuing year.

Through the Wabash and Erie Canal land office there will probably be redeemed of Wabash and Erie

1. Canal scrip the coming year	40,000 00
2. There will be received from sales on canal	30,000 00
3. From revenue over and above the ordinary expenses of the Government in treasury notes	136,000 00
4. From items No. 5, 6, 7, probably	1,000 00
Making in all	$ 207,000 00

Annual Interest for Internal Improvement

The annual interest on our debt, (10,104,198,) created for the internal improvement system and Wabash and Erie canal, including exchange, amounts to	$ 472,100 00

As the bank pays the interest on bonds sold for bank stock—the Lawrenceburgh company having provided or nearly so, for the payment of their loan—the bank advances and loan on 4th instalment being arranged, and means provided by setting apart the sinking fund and the State's dividends on her stock until the whole be fully paid, the fund being ample. It is believed that this amount, if provided, would pay all the interest on bonds annually now unprovided for; except the interest on the bonds sold for the purpose of increasing the State stock in the bank, to the Morris Canal & Banking Company—the amount of which, never realized by the State, is $980,000. The interest on which is in arrears, I presume, for the last two years. The annual interest on this sum, including 3 per cent. exchange is		50,470 00
Making the total	$	522,570 00

If the interest on our public debt up to 1st January, 1843 were funded, our indebtedness now unprovided for, and the interest to that period would be as follows:

Internal improvements and Wabash and Erie canal bonds	10,104,198 00
Interest and exchange on same 2 years, to 1st January, 1843	944,201 00
State bank bonds sold to Morris Canal & Banking Company—balance	980,000 00
Interest 2 years and exchange, to January 1st, 1843	100,940 00

Making our public debt, including the interest accumulated thereon, and for which no pro-

vision is made for payment of neither interest nor principal up to 1st of January, 1843	$12,129,339 00
The interest annually on this sum including exchange amounts to	609,289 35

To meet this amount by taxation would require 65 cents to the $100; and to meet the ordinary expenses of the government will require 5 cents additional. This amount to each tax payer will average about five dollars and fifty-four cents for internal improvement purposes, and about one dollar for the ordinary expenses of the government.

Respectfully submitted,

MORRIS MORRIS, A. P. A.

Visitor to State Prison: Report[1]

NEW ALBANY, Nov. 26, 1842

To HIS EXCELLENCY, SAMUEL BIGGER:

SIR: I have the honor to communicate to your Excellency the result of my investigations and observations, made at various visits to the State Prison, in the capacity of Visiter to that institution, during the summer and present month.

At my first and subsequent visits, every facility was afforded me by the superintendent and subordinate officers of the prison, for the prosecution of a faithful and impartial examination. I was gratified to find an unusual degree of harmony and good feeling existing among the officers and guards, so essential to the best interests of the institution; and to hear from the prisoners various and strong expressions of attachment and affection towards them, for their kind and humane treatment.

The whole number of prisoners on the first of June was 113. The number at the present time is 106; a smaller number than at any period during the present superintendency. The average number during the summer has been 110, and I was informed that the admissions do not equal the number discharged, evidently showing a diminution of crime in our State. There has been no change made in the employment of the prisoners within the prison-walls since last report. About thirty hands have been engaged in the various mechanical pursuits, as wagon-making, tailoring, shoe-making, blacksmithing, coopering, carpentering, stone-cutting and file-making, at which latter, one of the convicts only was employed, whom the superintendent informed me was a very superior workman, and that it was proving a profitable occupation. The remainder have been engaged during the summer and autumn in the erection of the new prison. Notwithstanding the great number employed out of doors, but few attempts to escape have been made; of those who succeeded, the greater number were soon after apprehended; three only being now at large. The time required of the prisoners to work by the superintendent, is from sunrise to sunset, with an interval of 30 or 40 minutes at noon. They are kept pretty constantly at work, though never urged;—they are marched to and from their work, in quiet and regular order; no idle talking is allowed. The neatness, order and discipline of the shops also, are doubtless equal to any prison of similar construction.

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[1] *Documentary Journal,* 1842-43, Senate Doc. No. 5.

The diet is liberal and wholesome—consisting of corn bread (of an excellent quality,) fresh beef, during the summer and fall, bacon, and a variety of vegetables, one kind, however, of the latter only allowed on a single day. Three days in the week, they are supplied with fresh beef, of which soup is made, with potatoes; the other four days, bacon is furnished with potatoes, beans, or turnips, and soup, and no allowance is made in the quantity of the vegetables and bread. The evening meal consists of bread and water only. The table-ware used is of tin, kept very neat and clean. The utmost order and quiet is maintained at meals; their wants being made known by a variety of signs, understood by those in waiting. Five or six, generally, are in attendance upon the table, and therefore, every want is immediately supplied.

Their clothing is uniform and good. In summer, they are each furnished with two pairs of tow-linen pantaloons and shirts, which they are compelled to change weekly; coarse janes round-abouts and pantloons, striped with blue and white; coarse shoes and socks, with woolen caps, constitute their winter clothing.

Each cell is furnished with blankets, and clothing sufficient for their comfort in winter, which they are required to expose to the air during the day.

The physician in attendance (Dr. Collum) has bestowed great attention in enforcing a strict observance of personal cleanliness on the part of the prisoners, and to having the cells, privies, and indeed all the apartments kept scrupulously clean, and whitewashed twice a month; so that, as far as it is possible in a prison as wretchedly constructed as this, the air is kept pure and wholesome. The prison yard, which was formerly a receptacle for all kinds of filth, owing to its exposed situation, has been drained, and the area McAdamized; so that nothing is permitted to remain about the premises that is calculated to generate disease. A large and airy apartment, furnished with cots and suitable bed-clothing, has been appropriated to the reception of the sick; it is kept very neat and clean, and the air of the room purified by the constant use of the chloride of lime. The average number of sick in the hospital, during the summer, has been 3 or 4, and I am happy to say that no deaths have occurred the past year. The principal diseases were pneumonia and affection of the chest during the winter and spring; bilious remittent and intermittent fevers and dysentery, during the summer and fall; and although many were of a violent character, yet they yielded to the treatment adopted. The improvement in the discipline, the close observance of personal cleanliness, and the admission of nothing but wholesome diet, together with the close attention of the physician, has had the most marked, beneficial effect upon the health of the prisoners. Allow me here to remark, that a basin, constructed after the manner, and of the same durable materials that our cisterns are, for the purpose of affording the prisoners the benefit of the bath daily, during the hot season, should not be omitted in the erection of the new prison.

Divine service is performed in the prison once on the Sabbath. Each cell is furnished with a Bible, and an opportunity of reading on the Sabbath until 3 o'clock, at which hour they are enclosed in their cells. No other system of instruction is as yet established.

For a violation of the rules of the prison, (which are rigid) corporeal punishment is the mode adopted, though it is never inflicted until after an investigation of the offence, under rules established by the law of last session. It is then administered by the superintendent or principal keeper, and in no case has it been cruelly or improperly inflicted. Under the present discipline, a resort to punishment has been rare. Regarding the financial condition of the prison, as also the progress of the new prison, I would respectfully refer your Excellency to the reports of the respective officers.[2]

I am, respectfully, Your obedient servant,

WM. COOPER

Superintendents of State Prison: Report[1]

[December 3, 1842]

TO THE SENATE AND HOUSE OF REPRESENTATIVES OF INDIANA:

The undersigned, Superintendents of the State Prison, have the heart-felt gratification of reporting to your honorable body, the fact, that, through the goodness and mercy of a kind Providence not a single death has taken place among the prisoners since the 4th day of December, 1841; and notwithstanding there has been a number of cases of disease and sickness prevailing, they have readily yielded to the remedies employed for their treatment, and we can now say, that there is not a case of actual disease in the hospital. We should feel grateful, that under all the disadvantageous circumstances by which we are surrounded, these unfortunate victims of crime should enjoy health to such an extraordinary degree, and thus be preserved.

At present, we are compelled, from the limited number of cells, to put two in each to lodge. These cells are without ventilation, entirely. The consequence, is, that not only a disagreeable, but very unwholesome atmosphere is generated. There is now no alternative but a speedy completion of the new prison, which the superintendents have contracted with the Governor of the

[2] See immediately below.

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[1] *Documentary Journal,* 1842-43, House Doc. No. 13.

State, under the act of last session of the Legislature, to build. Being fully aware of the great importance of a speedy completion of this work, not only in a humane point of view, toward an unfortunate portion of our race, but doubly so in regard to their useful and profitable employment in a pecuniary aspect, both to the State and keepers.

From an exhibit of the length of terms each prisoner is sentenced to serve, it will be perceived that a large majority are for a short period; of course their labor in any mechanical pursuit, (save those who are mechanics before entering prison,) would be a waste of time and money, in as much as a year or two is necessary to learn the simplest art in mechanism. We know of no labor that convicts can be as profitably and constantly employed in, as in that of manufacturing bale-rope and bagging. Neither can we conceive of any occupation at this time, that would be so universally approved of, by the community. A few days will be all the time required to qualify any man for this employment, profitably. This is the point at which the principal sales for all the southern region of our vast cotton country are made. Our location is, therefore, considered not only a good, but the very best in the Western States. By engaging the principal part of our hands in this employment, we give to the farmer a market for hemp, an article which is well calculated to flourish in many parts of our State, thereby giving a new impetus to the agriculturist, and at the same time withdraw from competition with the mechanics of our country, the convict labor of which there is so much complaint in our hearing.

Perceiving, therefore, the great advantage that would result from an early erection of the new prison, we shortly after the contract was made, bent all our energies to that desirable object, and we are happy to state, that the whole area of near five acres of ground is now enclosed by a most permanent and substantial wall, seventeen feet high from the foundation; and, that during the next season, we expect to complete the cells. To do which, a small additional appropriation by the Legislature, will be necessary, to enable us to purchase iron and tyle.

In consequence of the difficulty of affecting sales for the last year, very little money has been taken in for our manufactured articles; of course we shall be unable to furnish, from the institution, a sum sufficient to pay for those articles. We believe the State would be speedily reimbursed for any expenditure it may make in its erection, after the completion of the same.[2]

We are now extensively engaged in coopering, wagon-making, and smithing. We have about twenty-five hands cutting stone for the cells and cell walls, the remainder is chopping wood for the brickyard, in the spring. Having received but forty-one prisoners under sentence, since the fifth of December, 1841, we have the consolation of believing that crime in our State is undergoing some dimunition. The moral condition of the prisoners, will, no doubt, be reported by the Chaplain of the Institution. We would respectfully refer you to that report, as well as that of the Visiter, who will report the regimen, diet, and medical treatment, together with the discipline and government of the institution.[3]

We have employed, as guards, six men of good habits, who rigidly enforce the rules of the prison.

For the financial condition, we would refer you to the Clerk's report, now in the hands of the Auditor of State. We would say, however, that this report necessarily does not exhibit the true condition of the institution in its entire profits, in as much as it does not show the work done on the new prison; neither does it exhibit the improvement done on the old prison last year. There not yet having been a commissioner appointed to estimate the amount of work done, of course it is not shown on the books of the prison.[4]

The enclosed papers will show forth all that is deemed of an interesting character. We hold ourselves, however, ever ready to give any and all information asked for, and will most cheerfully respond to any interrogatories propounded, or would feel ourselves flattered indeed, if it should be deemed necessary by the Legislature to have a committee visit an institution that has an intimate bearing on the good organization of the domestic and general happiness of those under our care.

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[2] The Assembly appropriated $10,000 for the new prison. *Laws of Indiana,* 1842-43 (general), p. 41.

[3] The report of the visitor is printed above, 484-87; the chaplain's report was not printed and has not been found.

[4] See auditor's report above, 473-74.

The foregoing report and enclosed tables are most respectfully submitted, by Your obedient servants.

PRATT & McDOUGAL[5]

Bigger: Annual Message to the General Assembly[1]

[December 6, 1842]

GENTLEMEN OF THE SENATE AND HOUSE OF REPRESENTATIVES:

Assembled again in obedience to the requirements of our political institutions, the mind naturally reverts to the past, and the heart to the Great Author of our lives for the bounties of his goodness. A beneficent Providence has smiled upon us since the last annual meeting of the Legislature, and we yet enjoy all the elements of our national greatness and prosperity. We have been once more permitted to convene as the Representatives of a free people; to convene in peace; to convene after a season of agricultural plenty and general health. The recent treaty with Great Britain has banished all apprehension of war from our borders, and has secured to us a bloodless and satisfactory adjustment of an unpleasant controversy with a great and powerful nation. And although there is much in the depressed condition of our monetary affairs, and in the uncertain and unfixed character of the national legislation, which may well awaken regret and disappointment; yet we have much, as a people, when contrasted with others, to bow our hearts with unfeigned thankfulness to the Giver of all Good, and to inspire us with new ardor to persevere in the work of transmitting what we thus enjoy to those who shall come after us. It is to be sincerely hoped, that in this spirit of gratitude and patriotic determination, the Representatives

[5] This report is followed by statistics on the number of prisoners, the length of their sentences, their employment, crimes, ages, place of conviction, nationality, etc., which is quite similar to that given in previous reports. See above, 279-83.

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[1] *Senate Journal,* 1842-43, pp. 14-24.

of Indiana have at this time assembled in the discharge of their high and honorable duties. It is to be hoped that, in the exercise of the important and exciting trusts which now devolve upon them, a bright example will be held forth to the world, of integrity, fairness, and moderation; of respect for the laws, and of firmness in their execution; that the spirit of lawlessness and faction which has been elsewhere unbridled, will be promptly rebuked, and that the utmost harmony will characterize the agitating duties of the present session.

Directing our attention to the sphere of our immediate duties, we find but few subjects to engage the labors of the Legislature; yet these few are of pressing concernment to our citizens. Among the most important of these is the condition of our currency. In the year 1839, the Legislature, for the purpose of paying contractors on the public works, authorized an issue of treasury notes to the amount of $1,500,000. These notes formed a very considerable part of our circulation, and passed at par until about seven months since, when they suddenly depreciated in value between forty and fifty per cent. At that time there were over $1,000,000 of these notes in circulation; and the immediate effect was not only to leave in the hands of the community a circulating medium that answered but few of the purposes of money, but was also equal to a clear loss to the people, by this sudden depreciation, of nearly half a million of dollars. But this was not all. Shortly afterwards the State Bank resumed specie payments, and thus a strong line of demarcation was drawn between its notes and those issued by the State. This however is not all the injury that has been suffered. Nothing operates more injuriously upon the business of any people, than to have two kinds of circulating medium sustaining different values. The worse currency is forced upon the people by every pretext which cupidity can suggest, while the better circulation is to a great extent withdrawn from its legitimate employment, and applied, in the hands of the broker, to dealing in the depreciated currency.

The effect of these treasury notes on the State Treasury will demand your consideration. Nearly the entire State revenue for the past year, from present indications, will be paid in this currency. This leaves the treasury nearly destitute of means to pay the members of the Legislature, the various public officers, and the current expenses of the Government. The share Indiana is entitled to receive from the distribution of the proceeds of the public lands is $26,877 66. The General Government has withheld, of this sum, $13,975—to pay back interest due on the bonds of the State purchased by the General Government, and invested in the Chickasaw and Choctaw annuities,[2] leaving a balance to the credit of the State of $12,902 66. This may be set down as constituting the amount of actual money to meet the expenses of the State for the present year. The deficiency is to be supplied in such manner as the Legislature may direct. The devising of ways and means to defray the expenses of the Government is the peculiar province of the immediate representatives of the people, with which I may not interfere; but I cannot press too strongly on your consideration, the necessity of using every exertion for the earliest practicable redemption of the treasury notes to save the people from further loss, and relieve the revenue of the State from embarrassment. I would also call your attention to the impolicy of re-issuing treasury notes that have been once received at the treasury, if it can possibly be avoided. As the amount in circulation is diminished, their value will be proportionably increased, but this advantage will be entirely lost by throwing them again afloat. The faith of the State is pledged for their redemption, and, for the sake of our credit and for the interests of the community, it must be done speedily. In addition to the payment of the revenue, and other means heretofore provided for the redemption of the treasury notes, and which ought to be made available as far as practicable, every other means which the State, consistently with her just obligations, can apply to this object, should be brought into requisition. Very many of our citizens are indebted to the State in various ways, and on account of various funds, and after looking over the whole grounds, and viewing the embarrassments to which we must be subjected until the treasury notes are all redeemed by the State, I can see no better plan than to make them receivable for all State dues as far as it can be done. If the State will not receive money of her own creation for her own dues, she cannot and ought not to ask the people to give it that credit as a circulating medium which she refuses to accord to it.[3]

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[2] See above, 354-55, for earlier reference to this. See also treasurer's report, above, 458.

As regards the condition of our foreign debt, there has been no material change since the last meeting of the Legislature.[4] No part of the interest has been paid. The suspended debt has been made the subject of very considerable investigation by the State agent, and the result is to strengthen the probability that nearly the whole of the amount will prove a total loss.[5] Of the collateral securities, it is not probable that more can be realized from them than half a million; and even to save this amount will require much care and attention.

The failure of this and several other States to meet the interest on their public debts, has been the subject of much comment at home and abroad. This was to be expected; but I must be permitted, in the name of the whole people of Indiana, to protest against that indiscriminate censure and reproach which place those who have become unable, by unavoidable circumstances, to discharge their just liabilities, on the same level with the wilful repudiator. It is true, that the heartless usurer is incapable of distinguishing between a blameless inability to pay, and that fraud which avoids an honest debt. With the latter we have no connection; but we are compelled to rank ourselves with those who cannot promptly pay their just liabilities. We are borne down by accumulated burdens and difficulties. The sources of employment and means, arising from the disbursement of large sums of money which now constitute those debts which have produced so much embarrassment—the general prostration of our agriculture, manufactures and commerce—the infliction of a depreciated currency fastened upon us, until it can be redeemed by the slow process of the revenue—low prices and uncertain markets in every department of hitherto profitable business—all these continue to press us down with a force that is irresistible. To exact impossibilities, and then to affix the brand of infamy under such circumstances, is, to say the least, unwise. The exercise of no man's honesty is quickened by reproaches which he feels to be unmerited. We are told, however, that our folly and improvidence have brought these evils upon us, and therefore we are entitled to neither favor nor mercy. That most fatal errors have been committed by the State of Indiana, is not to be controverted. Seduced by the wild spirit of improvement and speculation, which pervaded the whole country, enterprises were undertaken which cannot now be justified. But some of those who censure in such unmeasured terms are not guiltless, if there be any guilt. If doubt was expressed, our agents were told that we were a great and growing State, that our resources were inexhaustible, and that nothing adverse could impede the march of our prosperity. The facility of obtaining credit had something to do with the extent of the reckless operations which have resulted so disastrously. It cannot be pretended that any false pretences were resorted to by us, to entrap the unwary and incautious. All parties, relying on their own sagacity, had equal opportunities of estimating the probable consequences of the profit and loss of every operation. As to the past, neither party may complain of the other. It is the future which must determine whether we are a faith-keeping people. As for myself, I have a deep and abiding confidence in the integrity and enterprise of the people of Indiana, in the extent to which her resources may be developed, and in the realization of those means which can and will be applied to discharge those obligations, the avoidance of which will bring upon us merited and lasting infamy.

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[3] For statements of the auditor, treasurer, and House committee on ways and means in relation to treasury notes and the Assembly action thereon, see above, 457-62n, 473, 476, and below, 598-605.

[4] See report of committee on ways and means in reply to the memorial of holders of Indiana state bonds, below, 624-27.

[5] The lengthy and detailed report of the state agent, Michael G. Bright, is in the *Documentary Journal,* 1842-43, Senate Doc. No. 2 (63 pp.). A part of it is reprinted below, 564-80.

It is not to be denied, that men have sometimes been found in our country, who, if they do not advocate repudiation, at least give countenance to views which must result in repudiation.

Whether we contend that one legislature cannot make a contract binding on another, or take the ground, that subsequent legislatures have the unqualified power of annulling not only the acts, but the authorized contracts of a preceding legislature—in either event, we are advocating a doctrine upon which repudiation must base its strongest claims to be esteemed a correct principle of our institutions. A few remarks in reference to this question, I trust, will not be deemed amiss at this time.

The Constitution of the United States has prohibited the several States from passing laws impairing the obligation of contracts. As to the applicability of this provision in respect to contracts between individuals, there is no diversity of opinion. But the question as to whether it applies when a State is a party, has occasionally been mooted. It has sometimes been contended that a State, in its sovereign capacity, is not bound by the rules and obligations governing private contracts; or, rather, that any law making a grant or authorizing a contract is a mere act of legislative power, repealable at the will of any future legislature. But certainly, if the contract exists, it can make no difference whether it is made by a law of the legislature or in any other mode. The obligation to fulfill its requirements is mutually binding on the State and on the individual, and is protected by the Constitution of the United States from any interference, on the part of the legislature, impairing its binding force. There is nothing in the sovereignty belonging to a government from which the principle can be derived to defeat any rights which may have vested under a contract made in pursuance of a law of that government. A government which might disregard its authorized obligations would exist in violation of every principle of justice and morality, and contravene all those notions of right and wrong which, as we have been taught, constitute the very foundation of our free institutions, and from which arise those wise and wholesome restraints, by which all our rights are equally secured. Where the government is purely despotic, it is true that the will of the sovereign is not controlled by any rule of action, but such as may be dictated by the selfishness or caprice of its own unconstrained will. The purposes of his government are constantly fluctuating. There is no security of person, of property, or of rights, as between individual and individual, or between individuals and the government. In a despotism the law is the will of the sovereign, and the perfection of this form of government consists in the power of the sovereign to alter, change, modify and subvert every rule of action at his pleasure. To establish the principle that the legislature cannot enter into a contract which will be obligatory, and which can be impaired by subsequent legislation, is asserting the self same principle which inheres in every form of government purely despotic. Our constitutional forms of government, having their origin in the sovereign will of the people, were established for the very purpose of avoiding these evils. The immutable laws of justice impose equal obligations on States and individuals, and any infraction of these principles is alike subversive of sound morality and good government.

But while we deprecate actual repudiation, let us beware of that silent repudiation, which, avoiding the direct act, produces the same result. Our embarrassments at home, growing out of our treasury notes, must necessarily prevent us, until they are redeemed, from doing what duty requires at our hands. But we should never lose sight of our liabilities, nor seek to avoid, either directly or indirectly, the demands of justice.

No official account has been received of the progress which has been made in the prosecution of the Wabash and Erie Canal, West of Lafayette. It is understood, however, that an important part of the work has been put under contract.[6] Some apprehension was felt lest the Scrip issued pursuant to the law authorizing the continuation of the canal would not answer the desired end; but it is believed that the public spirit of the citizens of that portion of the Wabash valley interested in the work has prevented any serious difficulty or embarrassment.

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[6] The report of the Wabash and Erie Canal commissioner, west of Tippecanoe, James Blair, was introduced in the House on January 4, 1842. It is printed in the *Documentary Journal,* 1842-43, House Doc. No. 14. By the report 50 miles and 9 chains of the canal were under contract and construction at a cost of $301,868.68. Blair also stated that the General Land Office had reported that of the lands selected for the canal west of Lafayette, 35,319 acres had already been sold by the government, and the state could select lands in lieu of these. A table of canal land sold showed 9,368 29/100 acres had been sold at public sale for $42,330.36, and 5,365 89/100 acres at private entry for $20,366.55. The average per acre was $4.12 [$4.25].

Blair's report is followed in the *Documentary Journal* by the detailed report of the chief engineer, William J. Ball, on the progress of the canal.

It will be remembered that, at the last session of the Legislature, two acts were passed, one incorporating the White Water Valley Canal Company, and the other providing for letting the public works to companies.[7] Under the former act, a company has been organized, and has taken possession of the White Water Canal. Under the latter act, one company has been organized for the continuation of the Madison and Indianapolis Railroad.[8] These companies do not report to the Executive, and no certain information is in my possession as to their operations; but it is understood that the works are prosecuted with energy and spirit, and strong hopes are entertained of a successful termination.

There is a subject which the Constitution has most wisely and appropriately confided to legislative control and supervision, and to which I cannot too earnestly invite your attention. I allude to the establishment and support of a system of common schools. Perhaps no theme in all the wide range of discussion has been more elaborately discussed than this, and perhaps there is no question of policy about the leading features of which there exists such general unanimity; and yet, strange to say, no good work has been more sadly neglected. The proper education of our youth appeals to every energy which patriotism, philanthropy, morals and religion, can put forth in its behalf. As the foundation on which all of our present and future political security rests; as a question of individual happiness; as the shield of our national purity and morality, it is beyond and above all others in magnitude and importance. Properly and thoroughly dispensed, there can be no doubt but the administration of our republican form of government would abound in all the advantages, with but few of the evils, of such a system, while its existence would be perpetual.

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[7] *Laws of Indiana,* 1841-42 (local), pp. 37-45, and *ibid.* (general), 3-21. See also above, 326n.

[8] See above, 446-48.

The occasional outbreak of lawless faction; the ephermeral rise, and dangerous influence of the demagogue; the instability of leading measures of sound policy; the barter and traffic of selfish legislation—each of these evils which, it must be conceded, have exercised, to some extent, a degrading and corrupting influence on our happy form of government, would, in the event of a thorough system of education, give way to an almost universal obedience to the commands of the law, the elevation of the public purity and patriotism, and a stable and honorable legislation. The sum of human happiness would thus be as incalculably increased, as the mind is capable of incalculable improvement. I mean that system of education, and it is the only kind to be tolerated, which is inseparably blended with the inculcation of correct moral principles.

In presenting these considerations to the Legislature, I have not expected to present new views, or to suggest thoughts more inspiring than naturally present themselves, in view of so momentous a subject; nor have I taken it for granted that nothing has been done in this work by the legislation of Indiana. Yet it is due to the truth and to the subject to say, that while we have had much declamation to the people, and much organized effort in this respect; while a great deal has been spoken and written, and legislated in reference to common schools, very little that is practical has been accomplished. Our school laws are a mass of complicated statutory provisions, presenting difficulties even to the disciplined legal mind, which are almost insuperable to the ordinary citizen. The machinery of the system is entangled and interwoven with burdensome provisoes and qualifications; and the sooner these are remedied by plain legal provisions and the substitution of simpler organization of district schools, the more speedily will we advance in this cause.

On this subject previous Legislatures have been groping their way in the dark. Indeed other matters, supposed to be of more immediate interest, have swallowed up every thing else which did not at least apparently connect itself with the momentous questions which were exciting the hopes, and exercising the energies of men looking only to the accomplishment of their stupendous projects. While millions were lavished, aye, wasted, on measures which have literally crushed us, the less exciting subject of common schools has been almost forgotten. But let it be remembered that we may construct canals and railroads, and foster commerce, and cherish our agricultural interests, and secure advantageous markets, and may obtain all that these various objects are capable of accomplishing, and yet, by neglecting that moral and intellectual culture which is the result of an efficient system of education, the very foundations of our social and political institutions may be rotting and mouldering beneath us.

The Auditor of State has bestowed some attention on the condition of the school funds during the past year; not that there is any law imposing such a duty, but merely with a view to enable the Executive to point the Legislature to the necessity of giving the subject a most thorough consideration. A circular was addressed to the various County Auditors. Answers have been received from fifty-eight counties, and are, in many instances, necessarily defective. The returns from a portion of the counties show their school funds to be well managed. In others they may be safe, but the accounts are in so much confusion, that no correct opinion can be formed. In some cases the whole fund has been totally, irretrievably lost.

The result of the investigations prosecuted by the Auditor of State will be laid before you,[9] and will exhibit much valuable matter. Where no answer has been received from a county, such other sources of information have been resorted to as seemed the best adapted to the purpose of obtaining the data requisite for the presentation of a general statement of the various matters connected with this most important subject. The following particulars, gleaned from the Auditor's report, are not only interesting, but will enable the Legislature to judge of the value of our school fund, and the necessity of further investigations.

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[9] This report by the auditor on the condition of the Common School Fund (dated the second Monday in September, 1842) is printed as an appendix to the auditor's report in the *Documentary Journal,* 1842-43, House Doc. No. 4 (pp. 87-134).

The amount of surplus revenue distributed to the different counties is	$ 723,346
Funds derived from sale of school lands	1,105,899
Value of unsold lands	425,352
Total value of school fund of this State	$2,254,597

Interest on the above sum, for the last year	$ 146,298
Interest distributed	94,436
Unaccounted for	$ 51,862

It appears, from the report of the Auditor, that the number of children having a right to be admitted to our schools is estimated to be 237,143. It is also stated, that the whole number who were in school during the past year was 111,465, leaving 125,678 children who were not sent to school during any part of the year.

The number of school districts in the State is set down at 3,760, and the school houses at 3,151.

One matter contained in the report of the Auditor requires particular attention. During seven years, from 1832 to 1838 inclusive, the value of the lands returned by the collectors of the counties for the nonpayment of taxes, and appropriated by law to the benefit of schools, is $68,046. The sum returned by the school commissioners of twenty-five counties, as having been collected on account of these lands, including penalties and interest, is $13,000. So far as shown, nothing seems to have been derived from this source in the remaining counties, leaving uncollected $54,446.

There must have been more than this amount realized, taking into consideration the heavy penalty and interest imposed in such cases. The only evidence of payments by delinquents is the receipts given to them by the school commissioners. This constitutes the only check; but it would be wrong to cast censure, merely because these accounts are confused and unsatisfactory. This is not intended. The above instance is merely referred to, for the purpose of directing the attention of the Legislature to the defects of the entire system, and to show the necessity of imposing proper checks, and requiring the frequent exhibition of all accounts relating to these funds, at stated intervals.

With reference to a specific recommendation on this subject, I can only say to the Legislature that, involved as is the condition of our school funds, and indeed the whole subject, no better suggestion occurs to my mind, or more likely to be followed by valuable results, than to invite your earnest attention to the task of ascertaining the amount and condition of these funds, and, if need be, to provide through some public functionary, for the investigation of these all important facts, and presenting the result to some future Legislature. It is requisite that the whole ground should be carefully examined, and the extent of our resources fully known, for the purpose of determining what additional means are necessary to impart life and efficiency to our common school system, and give form and substance to what has been, under the best directed efforts, but chaos and confusion. It, however, will accomplish but little to direct enquiries with a view to ascertain the present amount and condition of our school funds. The unofficial investigations already made, show enough to establish the necessity of searching for funds which have been misapplied, or apparently lost, and of tracing their history, from the time they first came into the hands of the agents entrusted with their management. In a neighboring State, whose school funds had been placed in the hands of officers not subject to a strict accountability, a thorough investigation was proposed and executed; and the consequence was, the recovery of very considerable sums, which had been overlooked, or forgotten, or supposed to be entirely lost. May we not anticipate as favorable results by pursuing a similar course in our own State? It certainly is worthwhile to try the experiment.[10]

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[10] No action was taken by the Assembly in regard to a thorough investigation of the school funds as recommended by the Governor. Codification of legislation relating to schools and school funds in the *Revised Statutes* of 1843 was expected to bring about improvements. See correspondences of Washington and Whitley County agents of school funds

I have thus presented my views on this all important subject to your consideration. I am not disposed to be tenacious as to the propriety of any particular course. Others have their peculiar views, and I will at once yield to any measures which promise to be useful and efficient. So many notions are entertained as to the best mode of organizing common schools, and so much sensitiveness is evinced respecting those notions, that it is most difficult to secure harmony of sentiment and action. In this matter, something, and, often, much must be given up to the views and opinions of each other. No system of education can be digested without compromise; and he can hardly be esteemed a real friend of common schools, who would make shipwreck of all their advantages to carry a favorite position.

It affords me great pleasure to communicate to the Legislature, that the affairs of the Indiana University present a more prosperous appearance than they have exhibited for several years. The recent efforts to give efficiency to its organization, promise to be eminently successful, and to secure to the State the full benefits of its ample endowments. In the supervision of this institution, the Legislature has a most important trust. To make it extensively useful; to preserve its funds, and render them productive, and to extend its reputation, constitute the prominent duties of this trust, which, if faithfully executed, must add to the character and dignity of the State.

The Colleges at Crawfordsville, Greencastle and South Hanover have been sustained, during the past year, with a zeal and spirit worthy the individual efforts which established those institutions. The pressure of the times, which has borne so heavily on every thing else, has touched them less severely than was anticipated. Their friends and patrons had much cause to fear the result; but, certainly, the crisis may be regarded as past. It is understood that the present sessions have commenced under the most favorable auspices, and the permanence and usefulness of these Colleges may be regarded as placed on a firm and enduring basis.

At the last session of the Legislature, an act was passed requir-

in Treasurer of State file, fall of 1843, in Archives Division, Indiana State Library.

ing the Governor to make arrangements for the erection of a new Penitentiary.[11] The same act required the superintendents of the present prison to confine the convicts at labor within its walls, contrary to the previous custom, unless an arrangement should be made by which they could be employed in the building of the new prison. The confined limits of the old prison were such, that but few more than half the whole number could be employed at labor within it, showing, most conclusively, the necessity of the law authorizing another prison to be built. A suitable site has been procured, a plan for the buildings adopted, and a portion of the convicts have been employed in their erection for several months. The plans, specifications and other matters connected therewith, being too voluminous to be comprised in this communication, will be laid before the Legislature in another form in a few days.[12]

The report of the Visiter has been unavoidably delayed, and I am therefore unable to lay before you, at present, the usual statement in respect to the condition of the Penitentiary.[13]

The State Bank of Indiana resumed specie payments on the 15th of June of the present year, pursuant to a resolution of the last Legislature. It is a fact deserving attention, that the principal demand for specie, subsequent to the resumption was from abroad;

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[11] See above, 338n-39n.

[12] See report of House committee on the State Prison below, 623-24. The committee also considered a proposition for appointing a legislative committee to examine the affairs of the prison and report at the next session. The committee rejected this, adding, "The committee are unanimous in the opinion that a system should be adopted by which the future control and profits of the State Prison should belong exclusively to the State, and that such a system should be devised before the expiration of the contract with the present superintendents, they recommend the adoption of the following resolution . . . : *Resolved,* That His Excellency, the Governor be requested to procure information in relation to the best mode for the management of a State Prison, and that he submit the same together with his views thereon to the next General Assembly. . . ." *House Journal,* 1842-43, p. 761. Such joint resolution passed the House (No. 511) but was lost in the Senate. *Ibid.,* 775; *Senate Journal,* 1842-43, p. 636.

An effort was again made during this session of the Assembly to remove the prison to Lagro in Wabash County. *House Journal,* 1842-43, p. 205.

[13] The report of the visitor is given above, 484-87.

thus exhibiting, in the clearest manner, the general confidence of our own citizens in the solvency of the Bank. The times were unpropitious in many respects, but the Bank has been well sustained thus far, and there is no room to doubt or fear for the future, under ordinary circumstances. Of previous suspensions of specie payments, it is unnecessary to speak, but I cannot let this opportunity pass without expressing my decided conviction, that, come what may, the Bank should pay out the last dollar of its specie, rather than suspend again. To be vacillating, year after year, between suspensions and partial resumptions, is subversive of all those principles on which sound banking rests.

The following table exhibits the general condition of the affairs of the Bank, as shown on the 31st of October, A. D. 1842.[14]

Means.

Discounted notes and Bills of Exchange	$2,897,917	11
Balances due from, and notes of other Banks	244,777	75
Specie	799,047	96
Other resources	1,316,820	22
	$5,258,563	04

Liabilities.

Notes in circulation	$1,732,518	00		
Individual Deposites	181,248	98		
Balances due other Banks	69,718	52		
Other liabilities, except those for the stock and its profits	69,878	68		
			2,053,364	18

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[14] The annual report of the president of the State Bank is given below, 508-18. The report of Nathan B. Palmer, appointed by the preceding Assembly to examine the condition of the Bank and its branches (see above, 307n), is also given below, 527-59.

Balance, being amount of State and Individual stock, and profits thereon		3,205,198 86
		$5,258,563 04

This exhibit shows a change in her condition from that reported to me, and set forth in my last annual message, as to her circulation and specie, as follows:

Circulation on October 30, 1841	$2,940,414 00	
Circulation on October 31, 1842	1,732,518 00	
Reduction of circulation last twelve months		$1,207,896 00
Specie on October 30, 1841	$1,127,518 60	
Specie on October 31, 1842	799,047 96	
Reduction of specie, last twelve months		328,470 64
It will be seen that her means are	$5,258,563 04	
And her liabilities, to all others, except the State and Individual Stockholders	2,053,364 18	
Showing an excess of means, over all her liabilities, to others than Stockholders, of		$3,205,198 86

The reports of the Treasurer and Auditor of State are herewith laid before you. They exhibit in the usual manner, the statements of those officers respecting the receipts, expenditures, and condition of the revenue. The principal matter connected with these subjects has been presented in my remarks and suggestions relative to the Treasury notes. It may not, however, be improper to remark, that, for several months past, almost the only means under the control of the Treasurer with which to pay the salaries of the public officers, and discharge the other expenses of the Government, have been treasury notes, occasioning a heavy loss to those to whom they have been paid, on account of their depreciated value.

Some more lenient provisions are necessary in reference to the forfeiture and sale of lands, for the non-payment of taxes and penalties;[15] and also the sale of lands on mortgages given to the State on account of various trust funds.[16] The advertisements, with which the newspapers in many parts of the State are crowded, as respects both these matters, show, without doubt, that relief is necessary. A large quantity of lands, if something is not done in the one case, must change owners on uncertain tax titles; and, in the other, the State will become, what she ought not to be, an extensive holder of real estate, taken from her citizens.

I have thus endeavored, in as brief a manner as possible, to lay before you such matters, as it occurred to me, would demand your particular consideration. The history of the last few years possesses but few attractions, and our visions of the future are not of the brightest or most cheering character. Still here is no ground for despondency. Our State is young. We possess a fertile country; our population, enterprising and industrious, is constantly increasing; and our resources, as they shall be developed, will rapidly diminish, by comparison, the magnitude of our present embarrassments. If we but make the proper efforts, relief will come to us ere we are aware of it. With such a country and such a population as we have, if we are true to ourselves and honest with the rest of the world, we must finally triumph over all our difficulties.

Representing different constituencies, and coming directly from them, you are well informed of all their wants and necessities; and it will at all times afford me the most sincere pleasure to unite with the Legislature in all measures calculated to give just relief to the citizen, and to advance the honor and prosperity of the State.

SAMUEL BIGGER

EXECUTIVE CHAMBER, Dec. 6, 1842

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[15] The Assembly passed an act postponing the sale of lands and lots for nonpayment of taxes for 1841 until January, 1844. If delinquencies for 1841 were paid by July 1, 1843, the 25 per cent penalty was to be remitted, and persons having already paid the 25 per cent penalty were to have the same placed to their credit for future taxes. *Laws of Indiana,* 1842-43 (local), pp. 80-81.

[16] An act for relief of borrowers from the various state funds was passed. *Laws of Indiana,* 1842-43 (general), pp. 23, 50.

Bigger to the Senate: Transmits Resignation of Senator Casey[1]

EXECUTIVE CHAMBER,
December 6th, 1842

HON. THOMAS D. WALPOLE, President of the Senate:

SIR: I herewith transmit a communication from William Casey, Esq., resigning his seat as a member elect of the Senate, from the district composed of the counties of Posey and Vanderburgh, which you will please lay before the body over which you have the honor to preside. Knowing that another individual claimed to be the Senator of that district, and the resignation being received but a short time before the meeting of the Legislature, I did not order an election, as I deemed it most proper to refer the whole matter to the decision of the Senate; that body being the sole and exclusive judge of the qualifications of its members, and their right to their seats, respectively. This course was considered the more advisable by me, as I supposed the question as to whether there is a vacancy, could be as well settled before as after an election.

I have the honor to be Yours most respectfully,

SAMUEL BIGGER[2]

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[1] *Senate Journal,* 1842-43, pp. 10-11.

[2] William Pitcher, incumbent Whig senator from Posey and Vanderburgh County, elected in 1841, had already taken his seat. The Senate ordered the Governor's letter to be laid on the table and no further action was taken on the matter. *Senate Journal,* 1842-43, p. 11. According to the election returns from the Posey and Vanderburgh district, William Casey, a Democrat, had been elected without opposition. The confusion was caused by the redistricting of the state in 1841. Posey, Vanderburgh, and Warrick counties had formerly constituted a senatorial district, and as such had elected a senator in 1839 whose term would have expired in 1842. The shifting of the districts had placed the incumbent in another district and when Pitcher was elected in 1841 from the new district the Whigs considered it as the beginning of a new three-year term. The Democrats apparently considered that Pitcher had been elected to serve the last year of the term that began in 1839 and therefore there was a vacancy in 1842. *Indiana Election Returns, 1816-1851,* 251, 264-65, 270, 271n.

President of the State Bank: Annual Report[1]

[December 7, 1842]

To the General Assembly:

Annexed are tables, setting forth, as required by the charter, the condition of the State Bank, and each of its Branches, on the 19th November, 1842. During the past year, the capital stock of the Bank has been increased by the subscription of $1,413 51 of the common school fund in the Fort Wayne Branch, and seventy-five dollars, paid by private stockholders, in the Michigan City Branch. The State stock has been diminished 27,500 dollars, by cancelling $29,704 04 of the State bonds paid to the Bank in advance of the fourth instalment of the surplus revenue.

The present capital of the State in the stock of the Bank amounts to 1,317,450 dollars—consisting of charter capital 880,000 dollars; surplus revenue stock, 412,450 dollars; of the loan of 1839, 20,000 dollars; sinking fund stock, 5,000 dollars. The stock owned by individuals is $1,398,028 16; saline fund stock, $4,924 20; school tax stock, $5,716 27, common school fund stock, $1,413 51; whole capital, $2,727,532 14. The profits of the Bank for the first six years averaged about 12 per cent. a year; the seventh year, 9⅓ per cent., and this year a small fraction short of 7 per cent., owing to the great reduction of business, and the losses by depreciated paper and bad debts.

The losses, from the commencement of operations, until the last and present years, were inconsiderable. The whole amount is estimated as follows: By forgeries and various frauds and impositions, and by depreciated paper and real property, and by bad debts, charged up as they were ascertained, about 58,000 dollars. A careful examination of all the liabilities to the Bank, both on behalf of the State Board and the Branches, has led to the conclusion, that there are probably still 82,582 dollars in bad debts, which must be charged up—that the collection of the further sum of 96,378 dollars may be considered doubtful—and that the additional sum of 15,819 dollars ought to be allowed for the depreciation in the value of the banking-houses and other real property. If the whole should be lost, and probably enough may be saved to guaranty against losses not now anticipated, there will still be 144,424 dollars of the surplus fund, in addition to the capital, to divide to the State and private stockholders.

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[1] *Senate Journal,* 1842-43, pp. 155-61; *Documentary Journal,* 1842-43, House Doc. No. 7.

The whole amount of profit, actually realized by the State from the Bank, is as follows:

Profits on $880,000, charter capital, after deducting interest and exchange on an equal amount of state bonds	$289,107 96
Profits on surplus revenue capital, after paying interest on $294,000, state bonds	76,748 40
School tax of 12½ cents per share each year	23,549 00
Estimated interest of the State in the unimpaired portion of the surplus fund	70,000 00
Total	$459,405 36

The profits of the sinking fund are not included in the above.

The interest has been regularly paid on the 1,390,000 dollars of state bonds, which were sold to procure the state stock in the Bank, and to loan to the private stockholders.

Since the last annual report, there has been a reduction in the salaries and number of the officers of the Bank and Branches, by which there is a saving of more than seven thousand dollars a year.

In compliance with the law of last session, the resumption of specie payments commenced on the 15th of June, and has since been, and will be, maintained. For some months previously, no pains had been spared to redeem, from the commercial cities on our borders, the surplus of our paper not employed there, in active business. This course enabled the Branches to use all their available means, and prevented, in a great measure, the panic, that must have been created, if the 800,000 dollars, redeemed through the banks and the brokers of those cities, had been sent home by them for redemption. From the first of March to the first of November, the circulation of the Bank was reduced from 2,736,125 dollars to 1,732,518, dollars, with the loss of only 329,476 dollars in specie.

That the currency of this State, and Ohio, Kentucky, and Illinois, the States with which it has had most intercourse, should, within a few months, have been reduced from about 15,000,000 dollars to near 5,000,000 dollars, is such a phenomenon in finance as has rarely occurred, and that it should not have seriously convulsed these States is matter of much astonishment. There were, however, so far as this State was concerned, some alleviating circumstances. The shock commenced at the close of the business season. Very little alarm was manifested by the citizens of the State as to the ability of the Bank to sustain itself; our laws on the subject of the collection of debts prevented ruinous sacrifices; and when the remaining currency became uniform, its capacity for usefulness was vastly increased, and being no longer questioned, it passed rapidly from hand to hand in business. Such, especially, had been the demand for the small notes of the Bank, and the frequency with which they change owners, that the soiled and torn appearance of those only a few months in circulation, bears witness to the service they render. The time had come, too, when an uncertain currency was no longer to be tolerated. The Treasury Notes of the State were no doubt ultimately secure, and, with accumulating interest, might have been supposed better than specie; yet they became a mere subject of merchandise, and were measured as to value, according to the reduced amount of currency in the hands of purchasers. This state of things has, in a great measure, prevented the use of the Sinking Fund Scrip, or Treasury Notes, issued by the State to pay its debts to the Bank. When the law passed for making the payment, it was hoped that these notes might be circulated advantageously for the Bank and the country. But this has been impossible. The large circulation of the Bank, as compared with other Western Banks, would not, during the process of resumption, admit of an increase; and if these notes had been issued and sustained by the Bank at or near par, more specie would have been required to maintain their credit than an equal amount of Bank paper. In times like these, there is no safe course for a Bank that will excite distrust; and all efforts to keep up a new and rather inferior kind of currency must have been vain. If these notes had been issued without immediate means for redemption, they would have depreciated at once. The best use that can be made of them, under all the circumstances, appears to be, that they should be loaned to the borrowers of the Sinking Fund, to aid them in paying their interest and principal; and this is cheerfully done by most of the Branches. The fund for their redemption is thus made more available, sacrifices are prevented, and the principal and interest of the State debt to the Bank will be gradually paid, without the hazard and difficulty of enforcing rapid collections of the Sinking Fund at one time.

The amount of these Treasury Notes, redeemed at the office of the Sinking Fund, on the 7th instant, was $46,350, which will be canceled immediately. $634,710 are still held by the Branches, and $41,575 dollars are in circulation.[2]

The erection, on the part of the State Bank and some of the Branches, of more expensive buildings than the necessity of the Institution required, was an error much to be regretted. Most of the errors in the business of the Bank have visited, with retributive justice, all the parties concerned. The *large loans,* the *long loans,* and all *special favors,* to directors and stockholders, have been not less injurious to the borrowers than to the Bank. When means were abundant, payments might have been easily made; but one delay after another has in some cases been demanded and allowed until sacrifice and ruin have followed. When the suspension of specie payments, in 1837, made it apparent that the currency was too much expanded, and that to become sound again the wrong steps must be retraced, the State Board kept this object steadily in view. That amidst so many wrecks, the Institution has passed safely through the late crisis, and that its capital and credit, as a whole, are yet unimpaired, is owing, in a great measure, to the strenuous opposition constantly made in the State Board to the errors referred to. In the ability to do business, and aid the enterprise of the country, there is at present a great difference in the situation of the Branches. Two of them, Lafayette and Evansville, are much embarrassed by their unavailable Treasury Notes, which were received in payment of their State debt; and two other Branches, Lawrenceburgh and South Bend, are in similar difficulty from the large debts of those who are, or have been, stockholders. Though each of these Branches could meet all liabilities with but little delay, yet it is much to be regretted that they cannot also perform the proper duties for which they were established. The long standing of the State debt, in the two former Branches, has led to the reduction of individual debts, so that as the Sinking Fund Scrip becomes available, they will again have means for business.

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[2] See discussion of the treasury note problem in Palmer's report on the Bank, below, 535-36, 538. See also pp. 593-94n.

There prevails in the State Board, and the Branches generally, a laudable desire to sustain the whole number; and were an accident to occur to any one, liberal assistance, from all that could afford it, would be given. But if a Branch persists in error, and pursues a course hazardous to the others, the State Board will at once suspend the offending Branch, and provide for taking up all its circulation immediately. The responsibility of the Branches for each other, and the credit of the whole Institution will not admit of any other difference in the value of the Branch paper than such as rises from local situation.

As there is now little or no demand for Bank Stock, there are cases where stockholders can neither sell their stock nor make any payments on their debts to the Branches; and yet, while having no interest in the welfare of the Institution, they continue to vote for directors. A provision appears to be desirable, that when no purchaser for stock can be found, it may be cancelled and credited to the debtor, at a rate that will be safe for the interests of the State and the other stockholders. Perhaps in all the Branches not less than 150,000 dollars of the private stock might be disposed of in this way, with advantage to the Bank and all the parties concerned. If stockholders were not permitted to vote only on the stock which they hold over the debts on which they do not make punctual payments, and if, for the time being, all debts not punctually paid, should be considered as so much capital withdrawn, and business be limited accordingly, few difficulties would ever occur in banking. The proportion loaned to directors and stockholders is decreasing yearly. In eight of the Branches, all the directors were indebted only 123,125 dollars, or less than a fifteenth their discounts.

There appears to be very little prospect of an early or rapid improvement in the business of the Bank, without a considerable change in some matters that now embarrass it. Many of the produce dealers, discouraged by the ill success of past years, are not disposed to venture again. Others, before making purchases, exchange the paper of the Bank for treasury notes, at their depreciated rates, so that the *former* is sent home for redemption, and the *latter* paid out for produce to those who, in general, cannot afford to hold them. Thus a kind of small brokerage is every where going on, which prevents the business circulation of par paper, and makes it almost impossible to pay debts in good funds. Were the prospect of redemption, or the certainty of demand, for the treasury notes, such as to give them a *determinate value,* they would be less injurious than they now are to other currency.

Another difficulty in the way of new business, is the impossibility of making collections of debts by law. However just and expedient may be the laws to prevent sacrifices on executions, where the debts were contracted in a medium far less valuable than that in which they are to be paid, the influence of such laws on future business and enterprise is much to be deplored. The great change which has taken place in the currency and the value of property was contemplated neither by creditors nor debtors, when the present liabilities were incurred, and therefore the laws as they now exist were framed with the intention of protecting the interests of *all creditors and all debtors.* But for future operations, if capital is to be again invested, and industry and enterprize sure of confidence and reward, the laws must be properly adapted to promote the fulfilment of contracts. It is idle and worse than idle for banks to base their calculations on loans, the payment of which cannot be legally enforced. All the business that can be done must depend on the *honor* of borrowers. When a bank fails to collect, it can make no new loans, and embarrassments take place, which re-act upon and aggravate each other.[3] If the stream of currency

[3] A reference to the various relief and stay laws passed by the

from the bank closes, the effects must be felt at once by those who supply the returning current. It may be alleged that banks ought to be so managed that such difficulties should not occur: but must they be inexcusable for not being uniform when everything else in business and nature is fluctuating? Within a short time, specie in large amounts has been transported from this country to New Orleans, although we take our produce *there to sell* and go *East to buy* our merchandise. The cause of this extraordinary movement was, that specie at New Orleans suddenly became a tenth more valuable than at New York. Here then within two months have been two greater fluctuations in specie than, with its suspensions and errors, ever occurred in the paper of this Bank. Individual capitalists are not limited in their business or profits and they may hold back as they please for better investments and no blame is imputed to them. But those who manage banks, are limited to business which flourishes most when the whole country is prosperous, and both interest and duty prompt them to keep their means constantly active and hold back only from necessity. Let the laws in reference to the collection of future debts be what they were formerly, and the borrowers of money can again be accommodated on moderate terms, not from banks only, but from others who now hoard their means.

Most of the Branches have lately commenced discounting again, and though they cannot contribute much to buy the produce of the country, they can aid the exporter and prevent the control of the market being left to the *generosity* of the few, who have surplus capital of their own. If payments could be relied on as formerly, instead of some $400,000 they might extend their discounts four times that amount.

The time has now arrived when the future policy of the country in regard to the currency ought to be determined. That absolute perfection can be reached is not pretended by the advocates of a *paper circulation founded on a specie basis.* They think, however, that the benefits of increased competition in trade and rapid improvements are well worth the hazards that must be run to obtain

Assembly. Such laws were shortly to be declared unconstitutional by the Supreme Court. See above, 361n. For legislation passed by the Assembly to aid the bank in continuing to pay specie, see below, 608n.

them; that the dangers incident to an expanding and contracting currency are not confined to bank paper, but that specie alone is equally liable to these dangers; that the exchanges of the country connected with the great interests of different parts of the Union cannot be effected by individual capital alone, and if they could it is not desirable that a few should be rich enough to engross this business and determine as to profits, prices, and competition; that any country selling its products at a *specie price* and buying those of others at a *mixed currency* price does itself great injustice; that the payment of the state and other foreign debts in a medium of twice the value of that in which they were contracted is impossible, and that the neglect to pay the state debts will after a time throw them into the hands of rich tax-payers and other state debtors who can and will use them to the great injury of the State; that if even an expense of $5,000,000 were incurred to procure a metallic currency, it would render less service than $2,500,000 in bank paper based on half the amount in specie capital; that to preclude industry, enterprize, and talents from usefulness unless connected with wealth would be as absurd as to reject a free government on account of some of its difficulties; that capital associated in a bank limited to specific business and properly regulated by law can be dangerous only in imagination, and that in this State where so much of its industry is devoted to permanent improvements not soon to be *productive,* and where few or none of its staple articles are exchanged directly by its citizens for the products of foreign countries, the evils of a *specie currency* alone will fall with oppressive weight. In deciding on these matters, it is not supposed that the effects of prejudice and misrepresentation can be easily removed. A part of our opponents would not only participate in, but engross the profitable business of regulating the exchanges of the country and would gladly remove the competition of the Bank which is limited in its profits; and others possessed of neither means nor credit would rejoice to see all above them reduced to their level.

On the restoration of peace in 1816, sudden changes of pursuits took place, manufactures were abandoned, agricultural products ceased to be in demand, many of the merchants and banks appeared to be ruined and general distress pervaded the country. But in a few years increased industry and economy changed the scene entirely. The few banks in Ohio that withstood the storm became useful and profitable, and, what may now appear strange, were popular. A similar revolution is again about to take place, for it is not possible that a few capitalists can control the commerce and business of a free and enterprizing people, as was done in Europe by the merchant-princes and goldsmith-bankers of Genoa, Venice, Hamburgh and London three centuries ago.

Respectfully submitted,

S. Merrill

State Bank, Dec. 7, 1842

. . . .

Statement of the condition of the State Bank of Indiana, on Saturday, November 19, 1842

Bills discounted	$2,132,608 04	
Bills of Exchange	327,898 51	
		$2,460,506 91
Suspended debt:		
Notes and bills, deemed doubtful	45,755 54	
Notes and bills, deemed desperate	44,462 78	
Notes and bills, not classed	315,904 35	
		406,122 67
Real Estate:		
Banking-houses	195,287 13	
Other property	65,560 33	
		260,847 46
Furniture and fixtures		5,579 95
Deposites in and dues from Branches to other Branches		26,310 27
Due from other Banks to Branches		227,634 86
The State of Indiana, on the advance of the 4th instalment of surplus revenue of the United		

States for the creation of State's Bank stock, being balance on bonds			259,080 61
Stocks, and other items			73,715 39
Remittances			60,730 66
Sinking Fund Treasury Notes			634,711 00
Bank notes on hand:			
Notes of alternate Branches		68,320 00	
Notes and checks on other Banks		37,765 23	
			106,085 23
Specie:			
Gold		40,621 16	
Silver		770,613 24	811,234 40
			$5,332,559 41
Capital Stock:			
Paid in by the State under charter	$880,000 00		
From 3d ins. sur. rev. and the advance by the Bank of the 4th	412,450 00		
Under the law of '39	20,000 00		
Under the law of '41	5,000 00		
		1,317,450 00	
From the Saline Fund	4,924 20		
From Bank Tax Fund	792 07	5,716 27	
			1,323,166 27
Paid by individuals and counties			1,404,365 87
Profit and loss to Oct. 31, 1842, and not divided	44,756 07		

Add at Evansville, includ'g suspended int.	20,398 39		
		65,154 46	
Profit and loss since Oct. 31, 1842		6,761 92	
			71,916 38
Dividend not drawn		17,121 26	
Surplus fund		332,632 79	349,754 05
Tax on individual stock for schools			11,132 90
Suspended inter't, Sinking Fund, and other items			78,193 02
Due to Branches from other Branches		16,519 63	
Due to other B'ks from other Br's		64,929 47	
			81,449 10
Circulation:			
Notes of $5 and upwards (including the small notes of two Br's not reported as classed)		1,391,592 00	
Notes under $5 (besides those not classed)		368,459 00	
		1,760,051 00	
Between Branches		68,320 00	
			1,828,371 00
Individual deposites			184,210 82
			$5,332,559 41

James M. Ray, Cashier

. . . .

Sinking Fund Commissioners: Annual Report[1]

[December 7, 1842]

To the General Assembly:

Herewith is a tabular statement setting forth the condition of the funds placed under the care of the Commissioners of the Sinking Fund. The means consist of—

Stock in the State Bank	$1,323,166	27
Surplus fund contributed to the same	29,972	47
Loans to individual stockholders	210,314	17
Current loans of the sinking fund and surplus revenue	723,084	04
Cash, &c., for Jan'y int. and to pay sur. rev. bonds	72,683	70
Total means	$2,359,220	65
There has been paid for interest, &c. on State bonds	490,492	57
There has been paid to the Treasurer of State	76,400	23
There has been paid to the Fund Commissioners	167,424	21
Expenses of State loans: of transporting specie: of sinking fund office: engraving Treasury Notes, &c.	30,915	19
Sinking Fund Treasury Notes cancelled, and interest	46,665	76
	$3,171,118	61

The above sums have been realized as follows:

From State Bonds	$1,410,000	00
3d and 4th instalments surplus revenue, deducting cancelled bonds	537,953	07
Dividends on Bank Stock	771,167	25
Interest loans	415,999	41
Saline fund and sundries	5,751	69
Premiums, &c.	30,247	19
	$3,171,118	61

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[1] *Documentary Journal,* 1842-43, Senate Doc. No. 3.

The following shows the profits that have been derived from the State Bank and sinking fund:

Means on hand as above		$2,359,220 65
Paid Fund Commissioners, Treasurer of State and for sinking fund Treasury Notes		290,490 20
		$2,649,710 85
Deduct State bonds	1,410,000 00	
3d and 4th instalments sur revenue	537,953 07	
Saline fund	5,751 69	
		1,953,704 76
Leaving		$ 696,006 09

Which, with $40,000, the estimated value of the surplus fund, more than was paid, and $23,549, the school tax paid the State, makes a clear profit to the State of more than $750,000. No deduction is made for losses in the sinking fund loans, because in no event can they exceed the back interest now due and which will be paid.

During the past year, the sinking fund commissioners have inquired carefully into the sufficiency of the security in most of the counties where lands have been mortgaged for loans. In the district consisting of the counties of Switzerland, Ripley, Decatur, Rush, Franklin and Dearborn, in which there are 192 loans, Mr. Buell reports "that every tract will be ample security to the State if the interest is kept down, except three pieces in Franklin, mortgaged for $1,500, that may be sold on credit for about one half now, yet may eventually possibly bring the whole amount." In the district consisting of the counties of Union, Fayette, Wayne, Henry, Randolph, Delaware, Grant, Jay, & Blackford, in which there are 329 loans, Mr. Morrison reports "that the loans in Union are safe, that he cannot think there will be any loss in Fayette, (except $500 reported last year) that there will be little if any loss in Wayne and Henry, that there may be a small deficiency in three or four loans in Randolph, that the same remarks will apply to Delaware, Jay, &c., and that the whole amount of loss under any ordinary circumstances cannot amount to $5,000."

In the district consisting of Vermillion, Parke, Montgomery, Clinton, Carroll, and Cass, and north to the State line, in which there are 468 loans, Mr. Walker has visited and examined nearly every doubtful tract, and reports, that all the loans in Parke, Vermillion, Fountain, Montgomery, Benton, Kosciusko and Lake are well secured; that in Clinton, Carroll, White and Porter, there is one mortgage in each on which there may be small losses, unless further security can be had; that in Putnam there are five mortgages which would be insufficient but for the perishable improvements on the premises; that in Tippecanoe there is one mortgage insufficient where further security can be had, and eight others on which there will be losses, that in Cass there are eight mortgages, insufficient, without the perishable improvements on the premises, and eight others, on which there will be losses; that in Fulton there are six insufficient mortgages, two of which may be secured—the others probably will not be; that in Elkhart there will be losses in two cases, and in two others, further security has been or will be given; that in Marshall there will be losses in nine cases, and further security had in another where the premises are now insufficient; that in Laporte county, 27 mortgages are believed to be insufficient, though probably five of them will be paid without trouble; that in Warren county there are two very bad cases (heretofore reported) and there will probably be small losses in four others. The losses in Laporte will be equal to those in all the other counties in the district. The whole may be estimated at from 8 to 10 thousand dollars. Mr. Jones examined the mortgages in Vanderburgh county, 23 in number, and states that all but one are sufficient, and in this the loss will not be large.

Mr. Merrill has paid as much attention as other duties would permit to the loans in Knox, Vigo, Lawrence, Monroe, Morgan, Hendricks, Boon, Hamilton, Marion, Johnson, Bartholomew, Jefferson, Shelby, Hancock and Madison, in which there are seven hundred and seventy mortgages, and he is induced to believe there will be no losses in Bartholomew, Johnson, and Morgan, and that they will not be considerable in any of the counties. One case in Monroe, and one in Shelby appear to have been intended to defraud the State, but it is believed only the former will succeed, to the amount, perhaps, of $250. There may be also two cases in Jefferson, five in Lawrence, two in Knox, four in Vigo, two in Hendricks, twelve in Boone, four in Hamilton, four in Madison, six in Marion, and ten in Shelby, on which it may be difficult as a whole to collect more than the sum loaned. Nothing further than the loss of interest is anticipated, unless two of them which are litigated shall be decided against the State.

There are still about 200 mortgages, which, owing to the ill health of Mr. Jones, have not been looked after particularly. They are principally in the counties of Owen, Clay, Sullivan and Daviess. Until August last, the lands of delinquents were advertised for sale for cash only. Thirty cases supposed to require special attention, were then selected to be offered first for cash and then on a credit of five years, the interest of each year to be paid punctually in advance.

The lands of 345 other delinquents were shortly after advertised on same terms, the sale to take place on the 18th November. These, except a few omissions from mistake, included all who from the establishment of the office had been delinquent over a year, which was the cause of the list being so large. Of the 375 included in the two advertisements, 67 paid up their interest before the day of sale—62 paid in part, or gave such security for payment that their lands were not offered. Two tracts were sold for cash and thirty on credit, leaving 208 tracts for which there were no bidders. Near one-third of these tracts can without difficulty be sold on a credit for the amount chargeable on them, as soon as it is ascertained that the persons interested will take no steps for their redemption. Whenever any representation of this nature has been made to the commissioners, they have been disposed to give all the facilities in their power.

The entire abandonment of the mortgaged lands in several cases, and the injuries done to them and other tracts by trespassers, where the State can get no further security, calls for some legislation to protect her interests. It is respectfully suggested, that the commissioners of the sinking fund ought to be vested with power to sell mortgaged premises for the principal only, where nothing further can be had; and that they be authorized to take possession of forfeited lands, lease them out, and adopt such measures to prevent their being injured, as the interest of the State shall require.[2]

The compensation to the commissioners of the sinking fund has been as follows:

For services during sessions, two dollars per day; for services and expenses in examining as to sufficiency of mortgage security, three dollars and fifty cents per day; for making loans, approving titles, and receiving interest for five years, to President, one-half per cent.; and to commissioners, one per cent. on the sums loaned by each.

To clerk of sinking fund commissioners, $200 a year; to assistant clerk, $800 a year.

The whole amount received by the President for services and expenses as above, averaged $400 a year for the first six years, and $300 a year for the last three years he has been in office.

Respectfully submitted,

S. MERRILL, President
R. MORRISON, } Sinking Fund
J. WALKER } com'rs[3]

Dec. 7, 1842

Bigger and Dunn: Report on Revision of the Laws[1]

December 13, 1842

TO THE SENATE AND HOUSE OF REPRESENTATIVES:

Two years since, one of the undersigned was directed to prepare the Statutes of this State for Revision, by the General Assembly. At the last session of the Legislature, Mr. Dunn was appointed

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[2] No action was taken by the Assembly in line with this recommendation.

[3] The report as printed in the *Documentary Journal* is followed by a table showing the condition of the fund which has not been reproduced here.

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[1] *Senate Journal,* 1842-43, pp. 64-66.

to assist in this work.[2] The Revisers believe they are prepared to subject the materials which they have collected and digested as fast as the Legislature will be enabled to act upon them; indeed, the whole is nearly ready for delivery.

The Revision has been a work of immense labor. The condition of our Statutes has long been the subject of much complaint. There are various defects, more numerous than can be specified. It is found that provisions respecting the same subject matter are often placed in different acts. Single sections often contain entirely different matters, and are so long and intricate as to be almost unintelligible. Glaring defects, omissions, and contradictions, were found to exist, upon bringing all the enactments upon the same subject together. The course marked out by the undersigned has been to place together, under the same head, all the matters touching the same subject, and nothing more; each provision following in a regular connection, and each section containing but a single substantive provision. By doing so, omissions and contradictory enactments could be much more readily discovered, and the whole law relating to any one subject, will be much more easily ascertained and understood. The language of our Statutes is often the worst that could have been adopted to convey any intelligible meaning; and repetitions, used, no doubt, for greater certainty, have increased the obscurity in many cases. To obviate the defects which we believed existed, we have re-written nearly every section of the Statutes.

The whole has been separated into four parts. The first embraces the boundaries, jurisdiction, divisions, civil government, and internal administration of the State.

The second embraces the necessary statutory provisions, relating to property, real and personal, the domestic relations, and other matters connected with private rights.

The third has relation to courts of justice and the various remedies and actions therein, embracing all the matters connected with this branch of the subject.

The fourth embraces crimes and their punishment.

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[2] See above, 151-52n, 358-59n.

The lesser divisions are into chapters, articles, and sections.

The division into parts and articles is made only for convenience in classifying and arranging the different subjects under their appropriate heads.

The division into chapters and sections are the only divisions which it will be necessary to use in referring to any particular provision. The plan proposes that the chapters shall be numbered regularly from the commencement to the end of the volume; and that the sections contained in each chapter shall be numbered in numerical order to the end of the chapter, without reference to the articles into which the chapter is divided.

The manuscript herewith submitted forms a portion of the first part of the Statutes. The balance will be submitted as soon as the copies can be compared with the original draft.

The second part of the Statutes will be also submitted, it is believed, in the course of the present week, as it is all ready, except a few pages, which have to be copied and compared, and so of the remaining parts.

The undersigned are prepared to furnish the committee or committees, to whom the Revision may be entrusted, with reference to the statutory provisions embodied in the part herewith submitted.

We would here remark, that we have not sought to make any material alteration in the Statute Laws of this State. We have endeavored to preserve, as far as possible, all the provisions now in force, making such changes as were necessary to make the law consistent with itself. It will be found that numerous additions have been proposed, which have been deemed necessary to give perfection to the entire system.

The undersigned, in submitting the result of their labors to the Legislature, are well satisfied, that after all their efforts, much will be found that will be regarded as defective. They also shall not be disappointed, if the Legislature shall differ much with them respecting the additions made to the Statutes, for the purpose of supplying defects long complained of, but the labor of remedying which has prevented its being attempted. The whole is submitted to the candor of the Legislature, and if we shall have in any degree aided, by our labors, in securing a well-arranged Revision of the Statutes of our State, we shall have accomplished all that we ever promised ourselves.[3]

Respectfully submitted,

S. BIGGER,
G. H. DUNN

Bigger to the Senate: Transmits Resignations of Bank Directors[1]

EXECUTIVE DEPARTMENT, December 14, 1842

HON. THOMAS D. WALPOLE, President pro tem. of the Senate:

SIR: I have just been informed that Wm. T. T. Jones and Geo. P. Buell, Esquires, have resigned their offices as directors of the State Bank of Indiana. You will please communicate these resignations to the Senate.

Yours, most respectfully,

SAM. BIGGER[2]

[3] The Assembly appointed a joint committee to examine the revision and Governor Bigger and George H. Dunn were invited to attend during its consideration by the committee of the whole House. *House Journal,* 1842-43, pp. 41, 125. Both Houses spent considerable time on the revision. An act was passed and approved February 13, providing for printing and distributing the Revised Statutes and also the session laws. Ten thousand copies were ordered to be printed and bound. *Laws of Indiana,* 1842-43 (local), pp. 45-48. The Revised Statutes comprised pp. [65] to 1029; statutes not revised but continuing in force pp. 1030-43; and acts of the 27th session contravening certain provisions of the statutes pp. 1044-53.

For Bigger's and Dunn's compensation see below, 640n.

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[1] *Senate Journal,* 1842-43, pp. 70-71.

[2] The Assembly elected Abel C. Pepper to fill the vacancy of George P. Buell and James P. Drake that of William T. T. Jones. *House Journal,* 1842-43, pp. 444-47; *Senate Journal,* 1842-43, pp. 323-25, 327. William Dailey was elected a director of the Bank to succeed Robert Morrison whose term had expired. *House Journal,* 1842-43, p. 444; *Senate Journal,* 1842-43, p. 322. The new directors were all Democrats; Jones and Morrison had been Whigs. Morrison, of Richmond, upon hearing the results of the election, wrote Merrill, "I have just heard the news of three Locos being elected directors of the state bank. As far as I can understand the movements of some of the Whigs in the Legislature their objects seem to be to break down the Bank, and if it has to go the sooner the better before things gits any worse we have heretofore got along very smoothly in our branch but we may now look out for trouble." Samuel Merrill Papers, Indiana Historical Society Library.

Nathan B. Palmer, Agent to Examine State Bank: Report[1]

[December 19, 1842]

To the Hon. General Assembly of the State of Indiana:

In pursuance of the Joint Resolution of the last General Assembly entitled "A Joint Resolution appointing an agent to examine the state and condition of the State Bank, and each and every Branch thereof."

The undersigned, in the month of April, entered upon the duties assigned in said Joint Resolution, and has in the course of the subsequent period, made such examination of the State Bank and the several Branches as seemed to be called for by the Joint Resolution, and the just expectations of the General Assembly.[2]

As the examination authorized, was the first undertaken on the part of the State under the special provision of the Bank Charter reserving to the State this right, and in view of the large investment by the State in the stock of the institution, which had been in operation nearly eight years without its conduct and condition being looked into or investigated by a special agent, the undersigned conceived that he would fail in the discharge of his duty, unless his examination should be thorough and searching.[3] In accordance with this belief, the examination was proceeded with and conducted with all the care and scrutiny practicable, more especially so, in relation to the means and liabilities of the several Branches—the character and value of their assets—their convertibility and availability to meet the demands against the institution, both immediate and prospective, together with an ascertainment of the causes which have operated favorably or adversely to the interests of the Bank.

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[1] *Documentary Journal,* 1842-43, Senate Doc. No. 6.

[2] In conjunction with this report the annual report of the president of the State Bank to the General Assembly (above, 508-18) should be read, as well as his response to resolutions of the Senate propounded after his report and the Agent's report were presented (below, 585-94). The House also passed a series of resolutions requesting further information from President Merrill. His response to these is printed in the *Documentary Journal,* 1842-43, House Doc. No. 16. The Agent's response to certain statements in Merrill's response is in *ibid.,* House Doc. No. 19.

[3] Palmer was allowed $837 and per diem expenses for his services as examiner.

To this end an absolute and actual count of all their cash, both coin and paper has been had, together with an examination and scrutiny into all accounts with other banks, institutions and individuals—and the names, amount and character of their bills receivable and other evidences of debts and credits of every description, connected with the institution.

As the Bank has been in operation for a series of years, it was manifest that much of the information important to be had in relation to its conduct and management in former years, could only be attained through the officers and directors. With a view then, of obtaining such information and facts as would be difficult to be had by personal examination, I prepared in the outset, a series of interrogatories to the officers of the several Branches, copies of which will be found with the answers to the interrogatories; all of which have been responded to, except by the Michigan City Branch, which has failed to do so without assigning any cause.

After summing up the general condition of the Bank and such general remarks as may seem appropriate to the institution as a whole, a more detailed review will be had under the head of, and identical to each Branch.[4]

The State Bank at the period of this examination presents a favorable attitude, so far as regards a comparison of her present cash means with her immediate cash liabilities, but an unfavorable aspect in relation to the solvency and availability of the amounts due her on her discount line both in notes and bills.

In the former, it will be seen on reference to Exhibit No. 17, the present cash means of the Bank amount to over half the immediate cash liabilities of the institution, which may be regarded as a very safe and healthful condition for seasons of ordinary confidence and prosperity, but in the present disastrous condition of things, both in relation to confidence and business, it will require much foresight and prudence to carry the Bank safely through. Yet if she could realize one half of the usual curtailment on the discount line, and the usual promptness on her bills of exchange, no difficulty would occur, and a moderate amount of new business could be done.

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[4] Following the Agent's report in the *Documentary Journal* there is a series of exhibits showing the financial condition of each branch, a list of officers and directors of the State Bank and each of the branches, and an Appendix which includes the answers received to the questions which the Agent submitted to the branches.

In relation to the bills receivable, Exhibits Nos. 14 and 15 will show that the notes discounted (active paper) amount to $1,510,306 17; the notes under protest $253,512 33; notes in suit $203,572 71; Bills of Exchange (active) amount to $393,693 42; Bills of Exchange under protest $104,038 09; Bills of Exchange in suit $141,403 76, making an aggregate of $2,606,526 48, of which there is $1,903,999 59 in active paper and $702,526 89 under protest and in suit. These amounts are not those stated by the Branches in their state of the Bank, but are the amounts under each head, which I estimate will be ultimately realized in their collection; having, according to the best lights before me, estimated what in my judgment would be lost on each of the classes of debts, and deducted such estimated loss from the gross amount in such class. This estimated loss on notes and bills amounts to the enormous sum of $533,083 33. By a reference to the state of the Bank for each Branch, herewith communicated, marked 1 to 13, and the General Exhibit of the condition of all the Branches condensed, marked 14, will be seen in detail the manner and amounts per cent. deducted as this estimated loss; and by Exhibit No. 15, will be seen a detail of all the estimated losses of the Bank under their proper head, together with the present value of shares in each Branch, based upon the state of the Bank presented in this report. By this last table, No. 15, it will be seen that the aggregate estimated loss on the present entire assets of the Bank amounts to $642,188 61, to-wit: On Notes and Bills of Exchange $533,083 33—on Banking Houses and other real estate and furniture $61,638 83—by broken Banks and depreciated Bank paper, $35,616 45, and supposed loss by Cashiers, $11,850. The effect of this deduction of real and estimated losses from the original amounts, as presented in the books of the Banks, and the state of the Branches as made up by their respective officers, is to sink their item of surplus fund, and still leave a deficit in the assets of the

Branches to meet their liabilities, varying from $4,000 to $50,000.[5]

The aggregate amount of this deficit, as will be seen by the exhibits here presented, is $333,422 03.

The surplus fund shown by the books of the Bank being sunk by the losses as before stated, have been omitted in the state of the Bank accompanying this report.

There are several items on which deductions for loss or depreciation might, perhaps, very properly be made, but which I have preferred to leave as presented in the books of the Bank. These are State Bonds, Sinking fund Scrip, Revenue Treasury Notes, Bank Stock and Real Estate. In the last item, however, I have made deductions for the Lafayette, South Bend and Michigan City Branches. On the first, by cause of the uncertainty of title, and the two last by the admission of the officers of their value.

The general causes which have operated propitiously for the Bank in the first half of the period elapsed since its organization, and adversely to its interest in the subsequent period, appear to the undersigned so palpable as hardly to require a remark.

The Bank commenced operations at the first budding of that extraordinary period of expansion, speculation and apparent prosperity, which has subsequently been followed by prostration, contraction, and disaster, the suddenness and intensity of which form a true parallel to the converse stride of the former period.

That the Bank should, in the former period, prosper with a community which, through all its parts and members, seemed to be augmenting its wealth, as by enchantment, with every revolution of the sun, is not surprising. Nor should we be disappointed that the contrary results should flow from the latter period. When the whole country is convulsed with deep and pervading distress—when ruin and prostration have reached every business, and invaded every household, could it be expected that the Bank, connected as its business is with all the pecuniary interests of the country, would escape its share in the general disaster?

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[5] Merrill's comment on the Agent's discussion of the Bank's losses in his reply to resolutions of the House, was that the Agent implied that the Bank was bankrupt and yet in other parts of his report "it appears that he only meant to state that the stockholders in each Branch would lose from two to twenty per cent. on their stock, if they were to be wound up." *Documentary Journal,* 1842-43, House Doc. No. 16, pp. 286-87.

The Bank and the community were less prepared for this transition from the fact that the allurements and pecuniary fanaticism (if I may so speak,) of the former period, unfitted men for that coy and prudent conduct so essential to escape the dangers which so sudden a revulsion strowed thick and heavy in every path. Individual prudence and sagacity, sharpened by interest more identical and direct, have not been found, even amongst the most wary, and adequate to a successful escape from the storm.

Will any surprise be awakened then, if, in the depths of this pecuniary disaster, unmatched and unparalleled in the present or past generations, the Bank as well as individuals shall be found to suffer severe losses by insolvent debts, depreciation of property, and other losses incident to such a state of things?

While the foregoing views may be justly urged in mitigation of any supposed delinquency in the management of the Bank, in reference to the unfavorable aspect in the discount line, so far as general operating causes may have controlled events, yet there are other causes which have had their agency in producing this result.

It was unfortunately the fact, that many of those who embarked in the Bank, (at least in some of the Branches) were without spare capital—mere borrowers, but who became influential managers, and favorites in regard to facilities.

These, together with other active friends, whose rage for speculation sharpened their appetites for facilities, and which by combination could be so easily obtained, was granted without stint, and resulted in large debts yet existing, and in many instances suspended and of very doubtful solvency.

The acknowledged tendency in all banks to run into favoritism, has been in a measure unchecked and unheeded in several of the Branches, and has resulted in leaving unpaid large amounts of paper of questionable character.

The practice which has prevailed in most of the Branches of extending accommodations to persons out of their district, and in many instances to persons in the very neighborhood of another Branch, and frequently without the State, has resulted in the enlargement of the suspended line by a quantity of worthless paper in which several of the Branches will suffer severely.

It would seem that the fact of an application for a loan by an individual from near another bank, should be *prima facie* evidence that he was unworthy of credit, else he could be accommodated at home.

The heavy losses by produce traders the two past years has disabled them to meet large amounts loaned to them by the Banks, and which of itself has contributed to the main portion of the suspended debt on bills of exchange.

The commanding influence by which some persons were enabled to obtain excessive loans, and the enlargement of their indebtedness far beyond their ability to pay, followed by the necessity of the Bank, resulting from such inability, to postpone and continue from time to time such debts down to the present; the condition of the debtor and the country in the mean time progressing with like speed to that point when payment has become extremely difficult if not altogether hopeless, and which cannot but end in losses of considerable magnitude. Among the errors committed by the Bank, that of granting large accommodations to favorites and men of influence, rather than of responsibility, has perhaps, resulted more injuriously to the institution than any other.

A more diffusive disposition of the loans would undoubtedly be far more beneficial to the country, and safe for the Bank.

The undersigned is fully aware that the officers and directors of the Bank will be greatly surprised at the estimate placed upon their discount line in this report, for the opinions of the leading officers of each Branch were solicited and obtained, as to the character of all the notes and bills under protest and in suit. And such opinions were greatly at variance with my own judgment, and in many instances with that of other individuals of intelligence consulted at the same time.

That those who had an agency in granting the loans and accommodations upon which these debts are based, should be reluctant to believe they are bad or doubtful, is not surprising.

It is in the nature of man to believe that which goes to establish the propriety of his former action, and without impugning in the least the motives of those officers, it may be inferred that their anxiety to have their discount line safe and undoubted, goes far in aid of the formation of their opinion that it is verily so.

Whether or not a just estimate of the value of the assets of the Bank, would not require a considerable deduction from the gross amount of their discount line as entered in the books of the Bank, is a question in which various considerations should be weighed in order to a correct decision. By reference to the tables it will be seen that of the discounts $1,903,999 59, (after deducting estimated losses) is active paper, not yet dishonored by protest.

Much of this paper is of long standing, and such is the crippled condition of the debtors, that the boards of directors are constrained, from necessity, and a desire to save the honor of the debtors, to renew their notes from time to time without curtailment, and frequently without the payment of interest. Much of this was made before the revulsion, many of them large, and the debtor's special favorites, whose inability to pay when the facility of obtaining money was far greater than at present, has postponed the payments to a period when circulation of money has in a measure ceased, and the prospect of certain further postponement with all, balances with tolerable equipoise with the prospect of the ultimate loss of the debt in many cases.

The amount which I have conceived it my duty to deduct, as the probable loss on this portion of the bills receivable, varies from six to twenty per cent., as was indicated by the character of the paper at the different Branches. It should not, it seems to me, surprise any one who will properly weigh and appreciate all the causes and probable effects which are presented in a review of the past, the present, and a just estimate of the future, that a loss of that estimated, should occur on the discount line of the Bank.

It may be proper to inquire, what individual, largely engaged in business for the past few years, even amongst the most prudent and far-sighted, with all the promptings of individual interest to caution and safety, will escape with losses less than that estimated as above.

The remaining portion of the bills receivable, amount, (after deduction of estimated losses,) to $702,526 89, the whole of which is under protest and in suit. The estimated loss on this portion of the debt due the Branches, differs in the Branches and in the classes of debts, being estimated according to the supposed character of the debts.

The whole of this being in a suspended condition, and much of it acknowledged by the officers to be desperate and doubtful, I have estimated the losses much higher than on the active paper. It is true, that much of this debt has for security liens upon real estate, either by mortgage or judgment.

But, in view that a considerable portion has no such security,—that the security in many instances is inadequate and of doubtful title,—that many years must elapse before the real estate securities can be converted or payments expected,—that the interest on the debts and the taxes on the real estate securities, and further probable depreciation of the security, operating on the one hand in the enlargement of the debt, and on the other in lessening the security—the cost and expense of collection, and the doubtful validity of many of the large claims now under litigation, and others threatened, under alleged taint of usury; in view of all these causes, the undersigned cannot resist the belief, that but a gloomy prospect is presented of realizing even the amount which this report supposes may be collected.

The estimated value of Banking Houses, is presented in this report at $152,680 44, and other real estate at $44,424 94. In regard to the depreciation of the property vested in Banking Houses, I am not aware that much difference of opinion exists; and on the other real estate no deduction has been made, except on that held by the Lafayette, South Bend and Michigan City Branches, which was made upon the premises heretofore suggested. The aggregate loss on Banking Houses and real estate, as will be seen by the tables, amounts to $61,638 83.

To the same causes which intoxicated the whole community with a spirit of profusion and extravagance during the few years that preceded the present revulsion, may be attributed that improvident, if not exorbitant expenditure in Banking Houses which several of the Branches run into, and which must result in a loss of many thousands to the stockholders. Some of the Branches are not liable to this charge of extravagance. The Branches that have escaped this error, are Bedford, Michigan City and Richmond. Those that have most erred in this particular, may be regarded in the following order, viz: Indianapolis, Evansville, New Albany, Vincennes, South Bend, Lafayette, Fort Wayne, and Terre Haute. Two or three of the last named Branches, however, have not exceeded much, if any, a reasonable provision for the accommodation of their business.

In estimating the losses by broken banks, and depreciated bank paper, I have been governed by the prices current at the points where the broken bank is situate, or such other commercial point as prices current are published, and have given the market value in each case. The losses under this head amount to $35,621 45.

The amount which it is supposed will be lost by defaulting Cashiers is $11,850; but this subject will be more particularly noticed under the head of the proper Branch, where the defalcation occurred.

It has already been suggested, that I have not, in the state of the Bank which is presented in this report, made any deduction for want of par value in the debt due the Bank from the State, in the form of advances to pay contractors, Sinking Fund Scrip, Treasury Notes, and State Bonds. The history of these is so well understood, that it would seem unnecessary to remark upon them. It may be proper to say, however, that all are at a great depreciation and totally unavailable at any price short of ruinous sacrifice. The amount of Revenue Treasury notes held by the Branches is small, and has been taken mainly on doubtful debts at par.

The amount of Sinking Fund Scrip held by the Branches at the period of examination, was in the aggregate $431,520, and the amount yet due them for advances to the State in the payment to contractors, was $234,447 27, and the amount of State Bonds $264,080; making a total of $930,047.

This large amount of nearly one million of dollars of greatly depreciated, and entirely unavailable capital, is a dead weight upon the Bank, brought there by the errors and misfortunes alike of the Bank and State, and is not likely soon to be convertible, so as to afford aid to the Bank or the community.

The amount of Sinking Fund Scrip parted with by the Branches, at the time I visited them, was not large, and the main portion put out, were upon notes where the obligors agreed to pay in other funds—some were disposed of indirectly, and as far as I was able to ascertain, none, or but a small amount has been loaned upon paper which may be discharged by the same medium.

How far the course pursued by the Bank in regard to this Scrip, accords with the professions by which the Branches interested sought their issue, and how nearly it meets the expectations of the General Assembly in its object in authorizing their issue, are matters more appropriate for the consideration of the Legislature than for animadversion in this report. It is but justice, however, to state, that alleged apprehension of the unconstitutional character of the issue, and that all paper based upon loans in that medium would be void, and of consequence not collectable by law, has been among the main causes of its detention in the vaults of the Bank, or of its indirect issue where it has been made.

In considering the foregoing review of the assets of the Bank, the mind is naturally led to the enquiry, whether, with losses so considerable, the Bank can sustain herself, and do an amount of business at all useful to the community and profitable to the stockholders?

It has already been shown, in the previous part of this report, that the Bank, as a whole, is in a healthful condition, so far as regards a comparison of her immediate cash means with her immediate liabilities. Although every Branch does not present this favorable attitude, yet as a whole, it is unquestionably so; and if honest prudence shall govern the institution from this forward, no apprehension need be entertained, I am confident; but the Bank may sustain herself in her present attitude of specie payments on all demands which may be presented. With regard to her ability for future business, it is most manifest that it must be small for a considerable time at least, as the effect of so large a portion of her means being in a suspended and unconvertible condition, is, and will continue to be, equivalent to a withdrawal of so much of her capital, and of consequence, a similar reduction of her business. This inability of the Bank to do a large business in the present condition of the country, is not so much to be regretted; nor will it operate to the serious injury of the country, inasmuch as there are but few borrowers that can safely be trusted, or that would be likely to make prompt payment, will present their paper for accommodation, under the present hazardous and limited state of the trade and commerce of the country, perhaps not in amount beyond even the reduced ability of the Bank to accommodate.

It is believed that most of the Branches may, by confining their operations to business paper (and which should be at all times the only paper taken), do so much as may be necessary to carry off the surplus products of the country. But this condition of the Bank, with so large an amount of its capital dormant for a season, will operate with peculiar severity upon the stockholders. The number of shares of stock remaining the same, and the active capital greatly reduced, the dividends must be lessened in proportion. It is clear to my mind, that for the present, and for some years of the future, the capital stock is much larger in most of the Branches than is useful to the Bank or the community.

The bitter fruits of excessive trading and speculation, and the admonition which all feel to avoid a practice so disastrous in its results, has made an impression upon the present generation, so deep and thorough, that all reasonable men, it seems to me, will expect the future operations of trade and business to be brought nearer to the cash standards and to cash payments. If this be so, the operations of trade will be confined exclusively to legitimate business, with money, less in amount, but more active in circulation; less diffusive in the objects of its application, but of more utility and safety to the people.

In this belief of too much bank capital, and the prospect of there being no necessity for so large an investment in this form for many years to come, the undersigned has sought to devise some process by which both the State and individual stock in the Branches may be reduced, in a manner acceptable to all parties.

The State is largely indebted to several of the Branches in the form of the Sinking Fund Scrip. It holds, in several of these Branches, an amount of stock considerably above the original charter capital; but varying in the Branches. It is important to the Branches holding this scrip—to the community so much interested in a sound par circulating medium, that this scrip should be cancelled as speedily as practicable.

This excess of stock is neither useful to the State or to the Branches; and is unprofitable in every aspect in which it can be viewed.

Would it not, then, be advisable to authorize the withdrawal of a portion of the State stock in those Branches to which the State is thus indebted, and a redemption of the scrip to the amount of the stock withdrawn? By this process, a portion of the stock (now unprofitable) would be taken away, leaving the balance more productive; and it would be sinking a portion of the public debt, now existing in very objectionable form, and still leave the capital of the Branches sufficiently large for all purposes. To avoid the difficulty arising from the pledge of the Bank stock for the security and payment of State bonds, the loans in the sinking fund, thus relieved by the redemption of a like amount of scrip, may, with propriety, be pledged to that object as a substitute for the Bank stock.

The reduction of the individual stock may also be effected by an arrangement which would operate advantageously to the Bank—to stockholders and debtors who are owners of stock, but unable to discharge their indebtedness. It being premised and admitted by the officers of several of the Branches, that their stock is entirely too large for the present crisis, and that it cannot be profitably employed, it may be properly suggested whether a portion of the suspended debt of stockholders might not, with advantage to all the interests concerned, be used in retiring a portion of the capital stock held by such debtors. By the Bank charter, a lien is given the Bank on the stock of any indebted stockholder. There are numerous cases of suspended debt owing by stockholders, where the debtor, if not entirely insolvent, is in circumstances which render payment hopeless in any reasonable time. The stock thus held is a burthen and vexation to the Bank, and of pernicious tendency.

If it shall be thought advisable to permit the retiring of stock in the cases premised, it should be authorized under the provisions of great caution and many guards. As the Branch, in which the stock is held and the debt owing, is presumed to have suffered severe losses by bad debts and otherwise, by which the stock has become less valuable, it is undoubtedly just and equitable that the retiring stockholder should bear his proportion of the losses sustained.

Some suitable agent or commissioner should be authorized, on the application of any Branch, to investigate the condition of the Branch, and place a fair value on the stock; to determine, by critical examination, and enquiry into the circumstances and condition of such indebted stockholder, so as to determine, whether from insolvency or hopeless inability to pay, they were such cases as the interest of the remaining stockholders would permit to be withdrawn. But in no case should stock be permitted so to be withdrawn unless it should be manifest that the debt could not be otherwise collected. The insolvent stockholders are a great incumbrance to any bank; and if these could be permitted to withdraw on terms equitable to all, the effect would, it is believed, be favorable to the after action of the Branch—the value of the remaining stock, and to the general safety of the whole Institution.[6]

The practice in some of the Branches of dealing in fictitious Bills of Exchange has been extensive until within the last eighteen months, but has in a measure ceased. The Branches which have indulged in this wretched and highly improper course, have learned by sad experience, that the policy is not only a departure from the honourable course of Banking, but is also hazardous in the extreme.

Much of the suspended debt on bills is of this cast, and not a little is in litigation on alleged taint of usury.

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[6] In line with these recommendations the Assembly passed an act providing for the reduction of the state and individual stock in the State Bank. *Laws of Indiana,* 1842-43 (general), pp. 53-55. See report of House committee on the State Bank, below, 611-12n.

The Courts having decided that all exchange charged over a fair rate, must be regarded as an indirect mode of exacting interest, and to all intents usurious. It is impossible to conjecture the amount put in hazard by this practice, but it is very considerable.

The Banks having passed from a state of suspension to that of specie payments, since the General Assembly authorized this examination, and nothing extraordinary having transpired, in regard to the condition or conduct of the Branches in this respect, since the resumption, it does not appear to be necessary to enlarge upon this point.

It may be proper, however, to say, that no refusal to pay specie has occurred since the period fixed by law for the resumption, except by the Branches at Indianapolis, Bedford and Evansville. These Branches declined paying specie to banks and brokers out of the State, under the provisions of the law.

These instances occurred shortly after the resumption; but the course being disapproved by the other Branches, the President of the State Bank and the State Board, they have not been repeated.[7] Those Branches situated on the Ohio river have been run upon for specie to a considerable extent, but have been able to sustain themselves without much difficulty; but their circulation is greatly reduced, especially those of Madison and New Albany. The calls for specie at the other Branches have not been large, except at Indianapolis, at which Branch considerable sums have been drawn.[8]

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[7] The board of directors of the State Bank adopted a resolution at the August session of 1842, "that the several Branches . . . be required hereafter to pay all demands made upon them in specie, from whatever source they may come; and in case of refusal so to do, a *scire facias* shall issue against such delinquent Branch, to show cause why it shall not be closed as in case of insolvency." State Bank Papers, in Archives Division, Indiana State Library.

[8] Judging from Samuel Merrill's correspondence, some of the branches of the State Bank had a difficult time following the resumption of specie payments on June 15, 1842. On July 21 he wrote as follows to C. G. W. Comegys, of Lawrenceburg: "The run upon the river Branches . . . are unabated and ere long the end of it will come the Branches will be exhausted and our general credit gone. Our specie is now about 38,000 and our circulation of large notes 90,000 and the Commercial Bank [of Cincinnati ?] has left with 4000 more for which the specie must be

The baneful effects of bank suspensions, in withdrawing all consciousness on the part of the managers, that the institution is bound to pay its debts, or be in preparation to meet its liabilities in coin when demanded, thereby inducing large and hazardous loans and an overgrown circulation, tempting and generating a wild spirit of overtrading and speculation, based upon this over issue—the enormous tax imposed upon the country by high and ruinous rates of exchange, and by depreciated paper, the total absence of all and every test by which the sound banks may be distinguished from those that are fraudulent and insolvent—the inevitable tendency of suspension to perpetuate itself, because of the inability to resume, resulting from the reckless course which a state of suspension itself has produced—the demoralizing effects upon the community, by unhinging all conscious obligation among the people to pay their debts, enforced by the high example of those in more exalted stations in life—and, in the end, the great injury to the bank itself, and the ruin of thousands enticed into the whirlpool of speculation by the facilities of obtaining money from institutions whose carelessness in its issues and its loans, were prompted by its own condition of suspension.[9]

given and their messenger has gone below to visit Madison & New Albany—this will reduce us to 34,000 specie Our paper has ceased to circulate being at a premium of near 2 pr ct over back branches. . . . The consequences of this state of things are that in 30 days we will have to suspend unless some of the specie in the interior is brought forward to aid us. We have now been in resumption one month & more than half of our specie is gone & our paper is still returning in the same ratio to the amount out as it did at first. The means of the Branches are not available. There is no money in the country and men cannot pay their debts. . . . From the utter impossibility of sales of pork &c our bills have not been paid as we expected. So that at least 45,000 of means we expected to aid us in resumption are not at command. . . ." On August 1, Merrill wrote: "Our Bank still pays specie. The past month we paid out $151,000 specie and redeemed $327,000 of paper. The second month [since resumption] is only half gone and I fear the drain will not have diminished. Some of the branches are getting very low for so far the run has been principally on the river branches. If we can stand it until the 1st Sep I should hope by that time the purchasers of wheat and other produce would operate in our favor. At this time many of our best men now much in debt find it vain to make any efforts to pay debts. . . ." Samuel Merrill Papers, Indiana Historical Society Library.

[9] President Merrill said that the statements in this paragraph showed

These considerations and effects, together with that wide spread and general distress which is the sure accompaniment of the reaction following a state of suspension, should be an effectual admonition to all to guard against a like state of things in the future.

The amounts which have been paid on exchange alone, during the suspension, over the rate in specie paying times is immense, as may be seen by the fact that, during suspension, rates of exchange on New York were charged, ranging from 5 to 16 per cent., while the usual rates, in specie paying times, range from 1½ to 2½ per cent.

If the immense aggregate amount of exchange, used in the trade and commerce of Indiana during the suspension, be considered, how large an amount has been uselessly charged upon that trade and the people, caused solely by the failure of the banks to pay specie.

The amounts lost to the people of Indiana by bank failures, over what would have been lost, had there been no suspension, it is impossible to say, but it cannot, I think, fall much short of a million of dollars.

It is believed by many of the most intelligent of the bank officers, that the State Bank of Indiana would at this period, have been in better condition by some hundreds of thousands of dollars, had she refused to have joined in the suspension of 1838.

Of the correctness of this opinion there can be no doubt, if we regard the large amounts likely to be lost on bills receivable caused by their undue enlargement and bad character, which would have been in a measure avoided, had the bank itself observed that caution and prudence which a specie condition necessarily produces.

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a strange misapprehension on the part of the Agent as to the course the Bank had pursued. "So far from 'carelessness in its issues, and loans prompted by its own condition of suspension,' a brief review of its business, at different periods, will show a policy entirely different." He then traced the rise and fall of discounting and circulation during the periods of suspension and specie payment, and concluded, "Do not these facts show that the Agent has listened to the theories of the enemies of the Bank, when he ought to have looked at the books in the office?" *Documentary Journal,* House Doc. No. 16, p. 287. See also his reply to resolutions of the Senate, below, 589-90.

The State Bank, with cautious, prudent and enlightened management, may undoubtedly be of great benefit and advantage to the trade and commerce of our people, and although much crippled by heavy losses, may sustain her present good credit and do as much business as the present singular crisis will require. But in her future operations, every departure from strictly business transactions, will be attended with imminent danger, both to her credit and her funds.

Their entire and undivided attention, so far as regards accommodations, should be directed to the produce trade and exports of the State, both as affording the prospect of prompt payment, and producing that influx of capital and balance of exchange, so important and indispensible to the future action of the Bank, and the prosperity of the people, without which the Bank cannot hope success in her operations.

But in the mean time, a searching reform should be entered upon, in regard to examinations, accountability and economy. The safety of the Bank requires the first, and even with the most rigid exercise of the latter, the stockholders can only expect small dividends for some time to come.

The Branches should be at once required to set apart a portion of the profits semi-annually, as a fund to cover the deficit caused by real and estimated loss. These, whatever may be the views of others, will, I am persuaded, be large, and should be provided for.

The undersigned cannot refrain from suggesting to the General Assembly, his full belief, that the greatest danger which now threatens the safety of the State Bank, arises from the fact that some of the Branches, if not entirely under the control, are at least under the influence of those whose pecuniary embarrassments, if not absolute insolvency, render them unsafe depositaries of the power they exercise as agents of the stockholders in the character of directors of the Bank. Whether this apprehension be well founded may be gathered from the facts entered in the books of the Branches.

If repeated protests and renewals without curtailment be evidence of this unfitness for the office of director, then abundant evidence is constantly on the books of some of the Branches. The

State of Indiana, as owner of nearly one half of the stock in the Bank, and the private owners of the balance of the stock, will not expect this matter to be blinked or passed over lightly. It is not right that it should be. If there be rottenness, it should be probed and brought to light. As the sworn agent of the State, to look into and examine this matter, I cannot but expose whatever the stockholders and the public have a right to know, and the safety and interest of the Bank require.

I repeat, that the greatest danger to the Bank is the malign influence of the embarrassed and probably insolvent directors. That there is no safety to those Branches thus influenced and controlled, does not require an argument to sustain. If the evil be not cured, if the rottenness be not removed, the consequences will not be doubtful nor long delayed. As most of the Branches are not obnoxious to this unfortunate difficulty, it will be more proper to notice this matter further, under the head of the Branches.[10]

Indianapolis Branch

This Branch has been conducted with considerable skill and ability, so far as money-making was concerned, and the current results are taken as the test; but it has dealt largely in fictitious bill of exchange, by which it is apprehended considerable loss will be sustained.

This Branch has also greatly erred in the practice of favoritism, and exhorbitant loans and large debts. Their discount line is large, and their losses will be considerable. . . .

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[10] An act was passed "concerning the eligibility and qualifications of Directors of the State Bank and Branches thereof," aimed at correcting this situation. The first section provided that thereafter no person should be eligible to serve as bank director who was indebted to any branch, and no person should continue as director who was so indebted after eighteen months after passage of the act. The board was thereafter to consist of three directors on the part of the state and not more than six or less than four directors on the part of the stockholders. After passage of the act no director of a branch should become indebted to any branch or branches as principal or surety in greater sum than $2,000; nor should any one be eligible to serve as branch directors if this indebtedness to a branch at the time of his election should exceed $2,000. Stockholders who were indebted to the branch in which they held stock were restricted from voting for directors. *Laws of Indiana,* 1842-43 (general), pp. 56-57.

Liabilities of directors and officers, as drawers, $18,720. Over-checking has been permitted, but not to a great extent. The funds of this Branch, which should be in Bank, were found to be correct and safe. The officers are believed to be safe and discreet, and the proper bonds have been given. Too much has been paid to officers; but a reduction has been made; but not to the standard required by the times and the condition of the Branch. The immediate liabilities are equal to about one and a half their cash means.

Lawrenceburgh Branch

This Branch has not been so well managed. Their current profits have, nevertheless, been favorable. For several years from its organization, it appears to have been under the control of men, who used the Institution with an eye to their individual interest—too much scheming and favoritism, ending in a large amount of suspended debt.

The losses will be heavy, the business having been large, with the above named operating causes, will produce heavier losses in this Branch than any, except one. Its cash means, as compared with immediate liabilities, are not in the most favorable condition—the latter being equal to about two and a quarter of the former. The liabilities of directors and officers, as drawers, $71,608; and as endorsers, $38,743; an amount entirely too large, and exceeding that of any other Branch.

Over-checking has been permitted to a great extent, in former years, but none in the administration of the present Cashier.

The funds were found correct, except a small deficiency in the boxes and kegs of specie, amounting to about thirty dollars in all. The present officers have the reputation of correct and safe men, bating [*sic*] what may be inferred from the following. In 1841 an investigation was had by a committee on the part of the State Board and by the President of the State Bank, into alleged misconduct of a former Cashier, in which the President of the Branch was implicated. This matter, on the report of the investigation, was passed off by a vote of censure by the State Board; but at the last session of the General Assembly, the matter was brought before the Bank Committee in the Senate, who, from the facts before them, were about to take action, looking to the removal of the Branch President; but the Senator from the district desired the matter might be postponed until Mr. Major, the President, should be notified, that he might make his defence.—The postponement was accordingly had, and the President of the Branch notified. His resignation was immediately placed in the Bank. The board of directors (as the Cashier was absent) verbally agreed to postpone action on the resignation, until the next meeting, or to some future time.

On the resignation having been handed in, several letters were despatched to Indianapolis, notifying the committee that the Branch President had resigned; of course, there was no further action of the committee. So soon as the Legislature had adjourned, the resignation disappeared from the Bank, without the knowledge of the other officers or clerk. The same gentleman is still the President of the Branch.[11]

This Branch has been unfortunate in the selection of Cashiers. The present incumbent is the third appointment. The first, Mr. John, is a defaulter to the amount of 1,000 dollars. This has been discovered by a settlement with one of the Cincinnati banks, since the examination of the Branch.

It appears to have occurred by a check for about 500 dollars, on the Cincinnati Bank, by the Cashier, which he failed to enter on the books of the Bank, and the avails of which went to his private use. The balance was a loss on a quantity of counterfeit money taken (at the time supposed to be good,) by John, in some private speculation, and passed to the Cincinnati Bank; but when ascertained to be counterfeit, John alleged that the speculation was for account of the Bank, which the officers do not admit. Whether this will be recovered back, is problematical, as Mr. John is in Texas; but his securities are good, and some portion may be recovered.

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[11] In regard to this President Merrill stated, "Mr. Major resigned on account of the reduction of his salary. His resignation did not 'disappear from the Bank,' until it was sent to me a few days since with the certificate of the clerk to that effect." Doc. No. 16, p. 287. The Agent refused to accept this, countering, "I have been informed by Mr. Major himself, that since he had my report, the resignation was found in the Bank. This I do not doubt, it is not hard to conceive how it got there. I have recently been informed by a gentleman, who, at the time of this transaction, was a member of the State Board, that one of the directors of the Branch, stated to him, that he had connived with Mr. Major in the trick to cheat the Legislature. The object of the remarks on the subject, in my report, was, as I conceived it to be my duty, to inform the Legislature of the contempt played off upon it in the transaction, the gist of which was pretending to resign, to prevent Legislative action, but continuing to hold on to the office after adjournment. The miraculous discovery of the resignation, since the publication of the report, should be allowed as much weight in mitigation as it is worth. The alleged resignation 'on account of reduction of salary,' I imagine is an after thought." Doc. No. 19, pp. 337-38.

The second Cashier, (Thurston,) for misconduct in permitting funds to be withdrawn from the Bank, by persons having none on deposite, was dismissed.[12]

A reduction has been made in the pay of officers, and other expenses. The condition of this Branch calls for economy of the most rigid order.

Richmond Branch

The Branch at Richmond has been managed with singular prudence and ability. It has avoided a deal in fictitious bills of exchange. Its discount line is of the medium amount, and the debts are not large; but from the disastrous change in the times, her losses will be considerable, yet less than any other Branch.

Liabilities of directors and officers, as drawers, 22,608 dollars. Over-checking has not been permitted. The cash was found to be in Bank and correct. The officers safe and prudent. The compensation to officers has been of medium grade, but has been recently reduced. The Branch, as to cash means, is sound; the immediate liabilities being equal to one and a quarter her cash means.

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[12] Of John and Thurston, Merrill stated, "Mr. John's default is understood to have arisen from a mistake just as he was leaving the office; which, a friend of his having examined, he promised to correct. Mr. Thurston was removed for a different cause from that stated in the report." Doc. No. 16, p. 287. The Agent's reply was, "The statement of Mr. John's defalcation, as given in the report, was obtained from the Cashier of the Branch, and is detailed substantially as given by him, and which I doubt not, is entirely correct. The special pleading in relation to Mr. Thurston's being removed for a different cause, than that stated in the report, is worth as much as any other immaterial issue, resting upon construction of words. The matter was only incidentally named, and was only to show the misfortunes of the Branch, and that he had been removed for delinquency calling for his expulsion from the office he held." Doc. 19, p. 338.

Madison Branch

This Branch has in the main been well managed;—has dealt some in fictitious bills;—some portion of her debts are large.

The discount line is heavy, being much larger than any other Branch, (as is also her capital stock,) and the losses will be considerable; 10,351 dollars of which is by the broken Vicksburgh Bank, and which item is still kept up in the books, and state of the Bank, a practice entirely wrong, as the claim is worthless, and ought long since to have been charged up to profit and loss.

Over-checking was permitted some years back to a large extent, but none recently.

Liabilities of directors and officers, as drawers, 37,153 dollars; and as indorsers, 32,933 dollars. A considerable amount of this is, where the President of the Branch has gone on to paper, in cases where he holds collaterals for the use of the Branch, on debts which were regarded as doubtful and which have been much reduced during the present season.

The funds which the books showed to be in the Branch, were found to be in Bank, and correct, except a deficit of 500 dollars, in a keg of specie, which had been on hand since 1837, and was purchased in Cincinnati for 5,500 dollars, and had always been counted for that amount, (though not opened,) in the examinations heretofore had; but which keg was now found to contain but 5,000 dollars, being 500 dollars short. Some hope was entertained that the error might be corrected, as it was known of whom the keg was purchased.

The officers of the Branch are believed to be able, safe and prudent, and the necessary bonds have been taken. The expenses of the Branch have been much too large, but are being reduced. . . . the immediate liabilities are equal to one and seven-eighths of its cash means.

New Albany Branch

This Branch has been managed with tolerable prudence. Its discount line is not large—Has not dealt much in fictitious bills. The losses compared with the amount of the discount line will be heavy. Favoritism, it is believed, has had much agency in forming the worst portion of the debt. There has been no overchecking permitted, and the Cashier's department is admirably conducted. Liabilities of directors and officers, as drawers $10,606 and, as endorsers, $16,027.

The cash was found to be correct and safe. The officers are believed honest and correct, though some of them are much embarrassed.—Within the last twelve months, one of the directors has been three times protested as drawer, and one other once, and yet they are continued directors. One of the directors has in the same time been ten times protested as endorser—another seven times—another three times, and another twice, and are still directors.

The necessary bonds have been taken from the officers. The immediate liabilities are equal to twice and one-half their cash means. The expenses have been quite too large, but have been reduced.

Evansville Branch

This Branch has been less active and adventurous than most of the other Branches; her discount line is lower than that of any other. The losses will nevertheless be about the same as most of the others according to the amount of her outstanding debt. She will suffer some by practising in fictitious bills, and in one or two instances, by too large loans to the same point.

Liabilities of directors and officers, as drawers, $18,369, and as endorsers, $12,524. No overchecking has been practised, and the business of the Branch appears to be correctly managed. The cash and other funds were in Bank, and correct in every respect.

The expenses of this Branch are not extravagant yet a reduction is contemplated. The immediate liabilities are equal to twice and one-quarter of their cash means. This Branch, in addition to her other suspended debt, has been, and is yet, greatly injured by non-payment of the large amount due her from the State, which is unavailable. There have been within the last twelve months, four instances of directors being protested as endorsers. The officers of this Branch are gentlemen of prudence and probity, with a disposition rather to do but little well, than too much at hazard.

Vincennes Branch

The Vincennes Branch has been conducted with much caution and skill. The discount line is of the medium size. The per cent. loss, on the bills receivable, will be less than many other Branches.

The loss by broken banks is $7,560. Liabilities of directors and officers, as drawers, $36,944 and as endorsers, $34,063. Over-checking has not been practised, and the business of the Branch is neatly done. The funds were all safe in Bank and correspond with the books. The officers are safe and prudent, and the necessary bonds have been taken. A reduction of the expenses of the Branch has recently been made, previous to which too much was paid. The immediate liabilities are equal to one and three-fourths its present cash means. There have been two cases of protest of directors as drawers and five as endorsers, within the past year.

Bedford Branch

This Branch although under the conduct of gentlemen of prudence and judgment, will suffer severely on her discount line—much of this however, will be on business done on paper from a distance which ought not to have been taken. The discount line is rather large in proportion to capital. Liabilities of officers and directors, as drawers, $23,102 and as endorsers, $18,219. Over-checking has been practised to some extent, but none recently.

The funds were in Bank corresponding with the books. The necessary bonds of officers have been taken. This Branch in regard to expenses has practised economy. The immediate liabilities are equal to one and three-fourths in cash means. There have been nine cases of protest of directors as endorsers in the last twelve months.

Terre Haute Branch

The Branch at Terre Haute has the reputation of being as judiciously managed as any other.

The gentlemen who have the main control in the directory, are men of more than ordinary prudence and watchfulness in all that relates to money matters. The general management has, it is believed, been skilful and prudent. The discount line is not large in proportion to capital. The losses will be severe on their bills receivable. The liabilities of directors and officers, as drawers, $8,077; and as endorsers, $8,523.

The expenses of this Branch have been too large; they have, however, been lately cut down somewhat. Over-checking is shown by the books to have been considerable. The immediate liabilities are equal to one and three-eighths its present cash means.

The funds which should be in Bank, according to the books, were not found there. The deficiency was in the paper of the Terre Haute Branch, and the amount is precisely $9,900.

The Cashier, A. B. Fontaine, appears to have robbed the Branch of this amount, and as is always the case with crime, brought upon himself further infamy by an attempted fraud upon myself, as Examiner, with a view of covering the first fraud on the Bank.

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It appears by the subsequent admission of Fountaine that he commenced his abstraction of the funds of the Branch in the first of the year 1839, at which period he took $2,000; in the latter part of the same year, the further sum of $4,500; in February, 1840, $2,335, and in the fall of 1840, $1,065.

In estimating the losses of this Branch, I have included this defalcation because of the great doubt whether the security are bound for the losses in this case.

Fountaine gave two bonds; the first is dated in September, 1835, and the other, I believe, in January last. As the office is deemed to be an annual office, the securities are not held responsible for the principal beyond the year. If this be so, of which it is true there is some doubt, neither of the bonds will cover the period in which the fraud was perpetuated. Fountaine himself is entirely insolvent, has left the State, and is reported to have gone to Texas.

Lafayette Branch

This Branch has suffered both by bad luck and bad management. The advances to the State by this Branch to a large amount, for the payment of contractors, and which has been unavailable for a long time, and is still so, has greatly crippled the Branch. The discount line is heavy and much of it bad, by which I estimate that the losses will be greater than either of the other Branches. Her debt on bills and notes under protest and in suit is about $80,000, and much of it is desperate and doubtful.

It is greatly feared that too much embarrassment hangs over the directory of this Branch for its safety. It is right to say, however, with regard to some that were under protest, that the reason assigned by Mr. Hanna was absence down the river, and a partner, whom he expected to attend to the business, was also absent. So soon as Mr. Hanna returned, the necessary payments were made and the paper reinstated.

In the other case of Mr. McCormick, the debt was as endorser, and by the death of one of the parties the arrangements had been postponed for some time, but had finally been adjusted.

Much favoritism has been practised in this Branch, which has tended greatly to the bad character of the debt due on her discount line. The Branch has been unfortunate in her Cashiers. The present incumbent is the fifth. The fourth one, Mr. Mullikin, is a defaulter to the amount of about $950. This has been effected by checking on other banks and not entering them on the books; receiving interest on Sinking-fund loans without entering on the books, and using the funds in both cases for his private use.

The bond which would cover this defalcation, was very wrongfully surrendered to one of the securities, the President of the New Albany Branch. Suit should, nevertheless, be brought against the securities (as Mullikin is believed to be insolvent,) and parole evidence given of the contents of the bond, if it be not produced. Over checking has been permitted, but not much recently. The liabilities of directors and officers as drawers, $28,481.

The officers, it is believed, are correct, honorable men, but some, perhaps too much embarrassed, to have charge of a bank.[13]

The expenses of this Branch have not recently been extravagant, but their condition calls for a very low expenditure. The immediate liabilities are equal to three times and one fifth her present cash means.

Fort Wayne Branch

This Branch has the largest discount line in proportion to her capital, being one and three fourths its amount. The discount line is regarded as fair in quality; much of it is in small debts; the loss will not, it is estimated, be so large as several other Branches. They have, in this Branch, what is termed prompt paper, predicated upon Indian trade, by which the money comes from the General Government, and which renders this part of their debt very sure and prompt. This Branch has been conducted with liberality, skill and ability; so that she has made herself popular at home.[14]

There is one bad feature, however, that should be removed. Too much embarrassment, it is believed, exists with some of the directory. One of the directors has been six times protested within the last twelve months as drawer, and seventeen times as endorser; another twice as drawer, and six times as endorser; another three times as endorser; another three times, another five times, another four times, another three times; and still all these gentlemen were acting as directors. Liabilities of directors and officers, as drawers, $54,396; and as endorsers, $48,573.

Over-checking is not permitted. The officers are able and prudent, and the necessary bonds have been taken. The expenses are too high for the times and the necessities of the Branch to reduce her circulation.

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[13] Merrill declared that "Mr. Fitch [the president of the New Albany branch] is not 'much embarrassed,' in any wrongful transaction." Doc. 16, p. 287. The agent acknowledged that he may have been misinformed as to Mr. Fitch being security, but it was still a mistake for the bond of a defaulting officer to have been surrendered to an officer of another branch. Doc. No. 19, p. 338.

[14] The Goshen *Democrat,* December 30, 1841, in referring to the Fort Wayne branch, said it had refused to suspend specie payments, and had preserved unspotted its integrity and been an honor to the state. Hugh McCulloch, the cashier, later became secretary of the U. S. Treasury under President Lincoln.

The immediate liabilities are equal to twice and five-eighths her present cash means, being, next to Lafayette, the most unfavorable of all the Branches in this regard. The circulation ought to be reduced, or the cash means increased.

South Bend Branch

This Institution is the weakest of either of the Branches. Its management has been reckless. The losses will exceed any other on the same amount of discount line. The amount of the individual capital paid in, is $32,371; and yet its loans to one individual exceed 40,000 dollars, and rising $37,000 of it is virtually suspended by a compromise, which runs the payments through a period of six years, but on mortgage security. But as there is no prospect of payment as the instalments become due, and as the interest will greatly augment the debt before the mortgage can be foreclosed, the adequacy of the security may be doubtful. This claim, with other portions of the discount line under protest and in suit, more than double the entire individual capital; the balance of the discount line is much of it of questionable character.

This Branch put but a small amount of individual capital into the partnership, which was speedily withdrawn by the managers in the form of facilities, who then banqueted with reckless indifference upon the State capital. Special favoritism and political interference,[15] have characterized their course.

The liabilities of directors and officers, as drawers $22,260 and as endorsers, $15,944.

This Branch is in imminent danger, from being under the control and influence of persons in embarrassed circumstances.

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[15] In a later report the Agent explained "political interference" as referring to the fact that bank funds were permitted to be taken from the bank to bet on elections. No more details are given. *Documentary Journal,* 1842-43, House Doc. No. 17, p. 298. Merrill stated this "political interference" was "an improper but thoughtless act of the teller, severely censured by the Branch board. Inquiries," he continued, "have been repeatedly made of the directors of both parties in each Branch, and the reply has been uniform *that no loan has ever been made or refused on party grounds.*" Doc. No. 16, pp. 287-88.

The books show that in a period of eight months preceding the time of the examination, (July 4th) one of the directors had been under protest, as drawer, seven times, and, as endorser, eighteen times; another as drawer, twice, and, as endorser, eight times; another four times, as endorser; another, seven times, another, two times; another, three times; another, two times, and, another, once. In answer to the enquiry, whether the directors were any of them protested prior to the period embraced above? the answer was, most of the time, nearly all the time, some one or more of the directory were under protest!!! I submit to the General Assembly, whether the capital placed by the State in this Branch can be safe, in view of the preceding facts in relation to the condition and management of the Branch.

I have no hesitation in saying, that it is my firm belief, that the interest of the State, the safety of the other Branches, and the good of the public, demand that it should immediately be put in liquidation.

Fortunately, the State Board long since forbid the increase of their discount line by prohibiting new loans, else a much worse state of things would most probably have been produced.

The funds called for by the books, were found to be correct and in the vault of the Bank, except a small deficit in several boxes of specie, but which did not exceed the loose surplus, accumulated by what is termed *overs*.

The Cashier of this Branch is believed to be prudent and trustworthy. This Branch very improperly erected a Banking House in 1841, which considering the condition of the Branch, may justly be regarded as wanton expenditure. Some three years since, some overchecking was had, but to a small extent—none recently.

It is some relief in turning from the foregoing, to be able to say, that the present cash means of the Branch, as compared with the immediate liabilities, are favorable—the latter being equal to one and seven-eighths of the former. This may be attributed to the restriction placed upon the Branch, by the State Board, by prohibiting further loans, the effect of which was, to stop the further issue of paper, while the circulation is returning through the payments, made in the way of collections on the discount line, which, by the by, have been small, being a reduction of only $37,000 since Nov., 1840.

The circulation in the same period has been reduced by $24,316.

Michigan City Branch

This Branch has in the main been conducted with ability and prudence, though some great errors have been committed, the most objectionable of which is large loans to directors and officers. The discount line is equal to one and three-eighths its capital, and is believed to be about as fair as that of the best managed Branches.

The losses however, resulting from the extraordinary crisis, will be considerable.

. . . .

The officers are believed to be correct, able and efficient. The funds of the Bank were found to be in the vault and correct.

The liabilities of officers and directors, as drawers, $66,938; and, as endorsers, $11,315.

Overchecking has not been practised recently, but on a former occasion, a Cashier was dismissed for permitting this, and other delinquencies. The salaries of officers are too high; the other expenses are not extravagant. It will be observed by the tables, that the number of stockholders in this Branch are smaller than either of the other Branches, being only 31. The immediate liabilities are equal to one and three-fourths its present cash means.

Having thus presented a general view of the condition of the Bank, and a somewhat detailed statement of the conduct and affairs of each Branch, it remains only necessary to make a few general suggestions, and present such points of amendment, as seem to be required for the future well being of the institution, and the interest of the State and the people.

It has been the purpose and desire of the undersigned, to give a full and fair presentation of the state of the Bank, and the manner of its management, without blinking or excusing any matter which I conceive reprehensible in any way, or at any point; and on the other hand, to avoid unmerited censure or imputation on any one.

My main effort has been directed to the true ascertainment of the precise condition of the Branches, their cash and other funds, their lines of discount and their liabilities. That I may have erred, is undoubted, and that many will be surprised at the estimates which I have felt it my duty to present, is expected; but in this, time and reality will verify, I am confident, that, although there may be some points of over estimated loss, yet as a whole, the losses will equal, if they do not exceed the estimate.

Fully persuaded that no bank is safe under the influence of persons whose pecuniary embarrassments are great, or whose indebtedness to the Bank is large, and that some means should be devised, to check in the future such mischievous influences, I respectfully suggest that the charter of the Bank be so amended, that, hereafter, no stockholder who is, or has been, within a period to be specified, under protest, or who fails to make the regular curtailments on his indebtedness to the Bank, shall be permitted to vote for directors. And also, that as the officers of the State Bank and the directors of the State Board, on the part of the State, are designed by the charter to be conservators and guardians of the State and individual interest of the Branches, bound for each other as they are, they ought to be clear of all dependence on any, and all of the Branches, and of every inducement, or influence having any, the least tendency to overlook error or to relax in that scrutiny so indespensible to the safety and well being of the Bank. I therefore also respectfully recommend, that, hereafter, those officers be prohibited from becoming indebted to any of the Branches, in any form.

I respectfully recommend that the charter be so amended as to permit the reduction of both the State and individual stock, as suggested in the previous part of this report, or in such other form as the Legislature may deem most advisable.[16]

As the large number of directors favor combinations, for a great extension of facilities, by exchanging favors in this regard, and as the business, it is believed, would be better done by a less number, I suggest whether it would not be advisable to amend the charter, so as to reduce the number of directors authorized to be elected by the stockholders.[17]

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[16] See above, 539n.

These suggested amendments, I doubt not, would readily be acceded to by the Branches, as some of them seem so indispensible to their safety. The undersigned has had some doubts as to the propriety of communicating to the General Assembly the names of the debtors on the discount line, but the precedent set by the General Assembly in publishing the names of debtors at the Sinking fund and at the Treasurer's office, together with the apparent necessity of an examination of the same by the Legislature, with a view of knowing its character, has induced the belief that it is proper to make it a part of this report. It appears to the undersigned, moreover, that much good would result to the Bank and to the community, if publicity should be given of all loans made by the Branches. This suggestion, however novel or startling it may be to those, who have regarded these secrets as so sacred as to place under the bann of dishonor and loss of confidence, those whose temerity should lead them to disclose them, is nevertheless worthy the consideration of those deeply interested in the welfare of the Bank. The effect of such publicity and disclosure of the action of the Boards of Directors, so far as to give the names of drawers, endorsers, acceptors and amount, and length of time to run, on all notes discounted and bills of exchange purchased, with the rates charged on the latter, would be to check, if not entirely prevent, that most mischievous error of favoritism; to preserve the Bank against large and excessive loans; against loans for the purpose of shaving and brokerage; against a monopoly of the facilities of the Bank by officers and directors; against the practice of dealing in fictitious bills of exchange, and against long and extended loans without curtailment, and other errors which secrecy in their action has a tendency to generate. It would also keep up that active consciousness of responsibility on the part of directors, which would be sure to flow from the certainty that their action would be speedily spread before a watchful and scrutinizing public. Nor would this be objected to by the fair and honorable borrower, but only by those who were gaining favors without merit.[18]

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[17] See above, 544n.

It would also operate as a buoy to admonish the community against too great confidence in those who were wading beyond their means in bank credits, which, by the secret operation, is a constant snare to uptrip the honest and unwary.

In order that these names may be published or not, as may be deemed most advisable, I have placed these names and the answers of the Branches to the interrogations, in the form of an appendix.[19]

I deem it but just to say, and I do it with pleasure, that the officers of the State Bank and of all the Branches, have afforded every facility desired in the investigation.

All of which is respectfully submitted.

N. B. PALMER
Examining Agent.

INDIANAPOLIS, Dec. 19th, 1842

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[18] The names of those who borrowed from each of the branches and their endorsers were printed at the end of Palmer's report. Merrill took strong exception to publication of the names, saying it was "unjust and cruel in the extreme, to publish without any necessity their private transactions. The mere fact of owing a Bank might seem of little importance were not the name of the borrower held up to be pointed at, as if a new and dangerous crime had been committed." Doc. 16, p. 288.

Calvin Fletcher felt, however, that publication might in the long run be beneficial. "It may be injurious at this time as business men are greatly depressed," he wrote. "Still as a whole I think it best for the institution. I believe that great exertion will be used by most men who intend to pay their debts to escape another exposure— & the branches which survive these times will resort to some other business more consonant with true banking principles than to make loans to politicians & men who happen for the time being to have influence with the directory of the branches— to be used in some vain speculation, to pay debts buy land or build houses — It will for a short time deter men from resorting to the bank for even legitimate purposes—but so soon as it is discovered that money is made by using it for legitimate purposes there will be sufficient borrowers But loans will be only temporary & for proper purposes." Fletcher Diary, January 21, 1843, Indiana Historical Society Library.

[19] Printed in the *Documentary Journal* but not reprinted here.

John Jackson to Editor Goshen *Democrat*[1]

INDIANAPOLIS, Dec. 23, 1842

DEAR SIR:—I take this opportunity of writing you a line to inform you how times are, and things are going on here. Since Mr. Chamberlain[2] left here, we have quit talking about the election of U. S. Senator, and have gone to work, and are doing up our business as fast as could be expected. The committee on Revision have commenced their labors, and are examining and comparing the model of laws as compiled and abridged by the Governor and State Treasurer, with our laws now in force;[3] they have yesterday and to-day reported upwards of 100 sections, which are read in committee of the whole House, and such alterations and amendments are made as the committee think just and right, as we pass along.—Yesterday the office of School Commissioner was stricken from the bill by apparently a large majority, I voting in the negative. There seems to be a disposition by (I think) a majority of the House to do away local laws, and have our laws as far as is consistent, uniform. I drew up and presented a bill agreeable to petition, to compel speculators to pay a Road tax equal to that paid by settlers, after adding 3 or 4 other counties to its provisions, it has passed the House and gone to the Senate.[4] I have received no other petitions except that for the appointment of a coroner.[5]

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[1] Goshen *Democrat,* January 5, 1843. Jackson, a Democrat, was representing Elkhart County in the House of Representatives. He had served one earlier term, 1836-37.

[2] Ebenezer M. Chamberlain, formerly state senator from Elkhart and adjoining counties.

[3] See the report of the Governor and Treasurer on the revision of the laws, December 13, 1842, above.

[4] This bill extended the provisions of the act of January 31, 1842, to the counties of Elkhart, Jay, Adams, Blackford, Hamilton, Miami, and Wabash and permitted the assessment and collection of a tax of one and one fourth cents on each acre of land and 15 cents on each $100 valuation of town lots. This was to replace other taxes on real estate for road purposes, but did not do away with the two days of labor each man between the ages of 21 and 50 was required to perform. *Laws of Indiana,* 1842-43 (general), 86-87; *House Journal,* 1842-43, p. 75. See also, 400-2, and 436, above.

[5] The office of coroner continued to be elective.

I introduced a bill to repeal that part of the law of last session that required Clerks and Justices to make report to the County Auditor that have no fees in their hands, and to remit the penalties on any that are or shall be indicted. On its second reading it was committed to the committee on Education. Mr. Thompson, chairman, reported a recommendation for its indefinite postponement. I moved to not cuncur, which brought up a spirited debate, which lasted near half a day; when motions to lay on the table, and to postpone were lost. Bradley moved to strike out the first section, which carried—said section exonerated all officers who had no fees in their hands, from reporting the same. The bill was then referred to the committee on Revision. I think that part that exonerates those that are indicted, will pass.[6]

There is a bill before the House providing that State Scrip shall be taken in payment for all State dues, and for county Taxes; this bill was read yesterday a second time, and ordered to be engrossed for a third reading, by a majority of two thirds, I voting in the affirmative. Having no instructions on the subject, I had to use my own best judgment. There is no doubt but it will pass the Senate and become a law.[7]

Various propositions to extend further relief to debtors, have been introduced into the House and Senate by Bills and Resolutions. Our House has appointed a committee to whom the petitions, Resolutions, and Bills are referred, who have not yet reported a Bill. I presume the relief will be extended to full appraisement of property, and one execution in a year. This is full more than I had thought of asking.

The committee to district the State has not yet reported, though every member of the Legislature is laying off his own district. I think we shall have trouble on the subject. I think our district will be composed of Elkhart, Lagrange, Steuben, Dekalb, Noble,

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[6] This was probably H.B. 87 to amend an act prescribing a more uniform mode of doing county business. The committee on revision reported it inexpedient to legislate on the subject.

[7] See above, 462n.

Kosciusko, Whitley, Allen, Adams, Wells, Huntington, Miami, Grant and Jay.[8]

With regard to the election of U. S. Senator, God only knows what will be the event. We are completely tied, if all the votes are given. One of our Democratic members is lying sick, and not expected to ever be able to go to the House. Both parties are rather fearful of the attack, the Whigs gave the challenge first, and we refused as two of our members were absent. Since they came in, we have twice given the challenge, but they have refused by laying our resolution on the table. I rather think now that there will be no election this session—that the matter will go before the people next August, and let them decide who shall be Senator; and I do not fear the result.[9]

There is a great fuss made by the Whigs, with J. H. Bradley at their head, about the contested election, in turning Beall out of his seat. The members of the House, who placed Marsh in his seat, have drawn up a reply to the protest of the minority, which will, together with the report of the committee on elections, with all the testimony in the case, taken by the County Commissioners, be published soon, and distributed over the State, in order to give the people a fair chance to judge who was right and who was wrong.[10]

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[8] Jackson is referring to the reapportionment of Congressional districts based on the 1840 census of population. The number of districts was increased from seven to ten. As finally enacted, Elkhart County was placed in the Ninth District with the counties of Benton, Cass, Fulton, Jasper, Kosciusko, Lake, La Porte, Porter, Pulaski, Marshall, Miami, St. Joseph, Wabash, and White. The Tenth District was made up of Adams, Allen, Blackford, DeKalb, Delaware, Grant, Huntington, Jay, La Grange, Noble, Randolph, Steuben, Wells, and Whitley. *Indiana Election Returns, 1816-1851,* 398; *Laws of Indiana,* 1842-43 (general), pp. 38-39. A protest against the measure as finally passed was entered by seven senators, three Whigs and four Democrats. *Senate Journal,* 1842-43, pp. 642-45.

[9] Oliver H. Smith's term as United States Senator was due to expire on March 3, 1843. The election was held January 24. *House Journal,* 1842-43, pp. 490-95. See below, 596-97, 605-6, 617-18.

[10] Enos Beall (Whig) and Madison Marsh (Democrat) both claimed to have been elected representative from Steuben and DeKalb counties. In the testimony presented to the House it was shown that each man received 360 votes, that the sheriffs of the two counties then cast lots according to the law governing such cases, and that the choice fell upon Beall. Marsh then

Arrangements have been made by the citizens here to accommodate all the Delegates, free of expense, while here, that may attend the State Convention on the 8th. I say then, come on—I want to see all our delegates here. Whitcomb, Davis of Sullivan, Law, &c. are talked of for Governor; Kennedy, Wright, and others for Lieut. Governor.

Mr. Cuppy and myself room and sleep together—Thomas D. Walpole, President of the Senate, is our room-mate—Gen. Mitchell is our next door neighbor. We are all in reasonable health.

Yours, with respect,

JOHN JACKSON

Bigger to the Speaker of the House[1]

EXECUTIVE DEPARTMENT,
December 30, 1842

HON. T. J. HENLEY, Speaker of the House of Representatives:

The accompanying communication from the officers of the Indianapolis Railroad Company, has just been received, which you will please lay before the House, over which you have the honor to preside.[2]

contested the election, alleging that the vote of Henry Shoemaker in Smithfield Township, DeKalb County, had been "improperly and illegally rejected" by the election officials, and that if it had been counted he (Marsh) would have been elected. The seating of Beall in the House meant that the Whigs and Democrats would be evenly divided (75 each) on any joint ballot of the two houses; with the election of United States Senator coming up, the members of both parties were fighting to get a lead over the other. As it turned out, the acceptance of Shoemaker's vote and the seating of Marsh would have brought victory for the Whigs in the senatorial election; the rejection of the vote brought victory for the Democrats. *House Journal,* 1842-43, pp. 60-70, 73-75, 103-7; Harry S. New, "The Importance of a Single Vote," in *Indiana Magazine of History,* 31(1935):104-8; below, 596-97n.

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[1] *House Journal,* 1842-43, pp. 241-42.

[2] The Governor's communication and the memorial of the Madison and Indianapolis Railroad Company, requesting that the finished portion of the railroad be turned over to the company immediately, were referred to the committee on canals and internal improvements. The committee reported back to the House on January 5 that in their opinion the

It will be perceived that the subject is one over which I have no control; but I may be permitted to say, that as under the law, the income of the road goes towards the completion of the unfinished part of the work, and as it is greatly to the interest of the company, that the finished portion of the work should be prudently and properly managed, no detriment can certainly arise from yielding its control to the company at this time; the more especially as the company will no doubt be entitled to this control, within a few weeks after the adjournment of the Legislature.

I have the honor to be, Yours, most respectfully,

SAMUEL BIGGER

Agent of State: First Annual Report[1]

[December, 1842]

HIS EXCELLENCY, SAMUEL BIGGER, GOVERNOR, &c.

Business of the State, requiring my personal presence and attention, detained me in the East until the very last days of October; in consequence of which, I have been prevented from preparing and submitting to your Excellency, a report on the matters committed to my charge, until the present moment.

In creating the office of Agent, and to the ordinary duties of Fund Commissioner, superadding those of examining the past acts of persons connected with our public improvements, and of instituting legal proceedings in such cases, as in the opinion of the Agent, justice to the State might require, it would appear to have been the intention of the Legislature, that besides the care of the suspended debt, I should critically review all the transactions,

sooner the company took possession of the railroad the better it would be for the state. *House Journal,* 1842-43, p. 288. H.B. 185 was introduced, amending the act of the previous session which provided for the continuation of the public works by private companies. As approved by the Governor on January 31, it provided for the surrender of the railroad to the company as soon as the directors should file with the secretary of state their assent to the terms of surrender. *Laws of Indiana,* 1842-43 (local), pp. 132-33.

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[1] *Documentary Journal,* 1842-43, Senate Doc. No. 2. See above, 326n, for the law creating the office of agent of state, and the election of Michael G. Bright, of Madison, to the office.

growing out of the sale or other disposition of our stocks, and of the system of internal improvements generally.

With the desire, as far as possible, of carrying out this intention, I entered upon the discharge of my duties.

As the basis of all calculation and investigation, my first object was to ascertain how many bonds had been disposed of, and to whom, and upon what terms; and then how much had been received on account of bonds sold, and how much remained to be paid; and, lastly, what disposition had been made of the moneys obtained.

Our accounts shew that there have been issued for all purposes whatever, 14,909 bonds, viz.

On account of Wabash and Erie Canal	1,726
On account of Lawrenceburgh and Indianapolis Railroad	221
On account of Madison and Indianapolis Railroad	456
On account of Bank	2,413
On account of Surplus Revenue	294
On account of Internal Improvements (proper)	8,900
To pay interest and to redeem Treasury Notes	900
	14,909

These bonds, with the exception of three, were all for the even sum of $1,000 or of £225; and the interest was invariably payable half-yearly on the 1st days of July and Jan'y of each year. . . .

. . . .

In issuing bonds, but little regard was paid to numerical order. In some instances there are duplicate numbers of the same class of bonds, as in the case of the first loan of $200,000 for the Wabash and Erie Canal, where there are two sets of bonds, of 100 each, numbering from 1 to 100; which are to be distinguished from each other only by their dates and rate of interest. In other instances, the numbers of different classes are promiscuously blended: this is the case in reference to many of the Wabash and Erie Canal bonds and the first Bank bonds. There is nothing wrong in this arrangement, except that it tends to confusion and inconvenience. It would have been better, probably, if each class of bonds had been separately numbered, or if all had been numbered continuously. It is also difficult, if not altogether impossible, in many instances, from any accounts furnished us, to ascertain the date, character, or terms of the bonds parted with, or from what time the State would be bound to pay interest upon them. In the early reports, the bonds are sufficiently described to obviate this difficulty; but in the reports of the last three or four years, there are several instances in which there is nothing to show the date of the bonds, or where or when redeemable; or when sold, or at what time the interest would begin to run against the State.

On account of these and some other difficulties, I have not, as yet, been able to make up a satisfactory bond account.

The laws under which these bonds have been issued, are,

1st. Act of 9th January, 1832, supplemental to an act, providing means for the construction of the Wabash and Erie Canal.

2d. Act of 28th January, 1834, establishing a State Bank.

3d. Act of 1st February, 1834, providing means for the Wabash and Erie Canal.

4th. Act of 6th February, 1835, providing for the further prosecution of the Wabash and Erie Canal, and for other purposes.

5th. Act of 27th January, 1836, to provide for a general system of internal improvements.

6th[7th]. Act of 19th February, 1838, for the protection of the canals belonging to the State, the collection of the tolls thereon, and for other purposes.

7th[6th]. Act of 17th February, 1838, to amend an act to provide for distributing so much of the surplus revenue of the United States as the State of Indiana may be entitled to and receive by virtue of an act of Congress, approved January 23, 1836.

8th. Act of 6th February, 1839, providing for the further construction of the Madison and Lafayette Railroad.

9th. Act of 12th February, 1839, providing for the increase of the stock in the State Bank.

10th. Act of 13th February, 1841, to provide for the appointment of a Fund Commissioner to collect the suspended debt of the State.

I. The act of 9th January, 1832, section 4, authorized the commissioners of the canal fund to contract for a loan of $200,000, on a credit of thirty years; but redeemable, in whole or in part, after a period of twenty years, at the option of the State, at an interest not exceeding six per centum.

Under this act the commissioners sold to J. D. Beers & Co., on the 9th August, 1832, at a premium of $13 26 per cent., 100 dollar bonds, numbered from 1 to 100, inclusive, dated 1st July, 1832, bearing an interest of 6 per cent., to be paid at the Merchants' Bank, in the city of New York, and redeemable in thirty, with the *privilege* of paying in twenty years (Senate Journal 1832-'3, page 42 and 43, and appendix B to the Journal). And on the 27th February, 1835, they sold, at a premium of $2 05 per cent., to Prime, Ward & King, 100 bonds, numbered also from 1 to 100, and similar, in all respects, to the last, except that they bore date 1st January, 1835, and were at an interest of 5 per cent. (Doc. Journal 1835-'6).

II. By the act of 28 January, 1834, establishing a State Bank, (Sec. 103,) the commissioner of the canal fund, for the purpose of providing means on the part of the State to pay her subscription of stock in the bank, and affording to her citizens, who might become stockholders therein, the ability of paying up their second and third instalments, were authorized to contract a loan of $1,300,000, at a rate of interest not exceeding five per cent., redeemable after 20 and within 30 years, at the pleasure of the State. The 3d section of the same act required the directors of the State Bank, at a subsequent period, to establish two new branches, and provided that "the State stock therein should be obtained in the same way, and be paid over under the same restrictions and regulations, as were provided for the other branches."

Taken together, these two sections were construed to extend to the borrowing not only of $1,300,000, but of so much more as was necessary to put the two additional branches in operation, which was $90,000; and therefore, (the two additional branches being organized,) there were issued, under the authority of this act, bonds to the amount of $1,390,000.

The first bonds issued were to Prime, Ward & King; to whom 500, numbering from one to 500 were sold at a premium of $1,05 per cent. They were 5 per cent dollar bonds, dated 13th September, 1834, and redeemable after 20 and within 30 years after their date, at the pleasure of the State—interest payable semi-annually at the Merchants Bank in the city of New York. 250 of the bonds were made payable to Prime, Ward & King, and 250 to N. S. Rothschilds or bearer. In September, 1835, 50 more of these bonds numbering from 1165 to 1214 were sold to this House at $4 50 per cent. premium. They were similar to the others, in every respect, except that they bore date 28 August, 1835.

On the 3d day of August, 1835, 400 more of these bonds, numbering from 700 to 1099, bearing date 10th August, 1835, payable to J. J. Cohen, Jr., & Co., and in all other respects similar to the former, were sold to J. J. Cohen, Jr., & Brothers at a premium of $4 50 per cent.

To Thomas Biddle & Co. and the Morris Canal & Banking Co., 440 were sold in November, 1836, at a premium of one per cent. They were numbered from 1317 to 1816 inclusive and were similar in all respects to the former, except that they were dated 1 July, 1836; were payable to the Morris Canal & Banking Company; and the semi-annual interest, and ultimately the principal was to be paid at the banking house of the Morris Canal & Banking Company in Jersey city, or its agency in the city of New York. . . .

The bonds issued under this act then were

500 bonds to Prime, Ward & King, Nos. 1 to 500	$ 500,000
400 bonds to J. J. Cohen, Jr., & Bro., 700 to 1099	400,000
50 bonds to Prime, Ward & King, 1165 to 1214	50,000
440 bonds to Thomas Biddle & Co. and Morris Canal & Banking Company, 1377 [1317?] to 1816	440,000
	$1,390,000

For these bonds full payment was made.

In connection with this, it may be as well to state the bonds issued under the act of 12th February, 1839, to increase the stock in the State Bank. By this act, the commissioners of the sinking fund, through the agency of the President of the State Bank, or of the fund commissioner, were authorized to contract for the loan, in all, of $5,000,000, at a rate of interest not exceeding 6 per cent., redeemable after 20 and not exceeding 35 years, at the pleasure of the State. Under this act 1023 bonds only were issued. The first issue was of 1000 sterling bonds, signed by Stapp and Scott as fund commissioners, numbered from 1 to 1000, bearing date 1st May, 1839; redeemable in 35 years from 1 July, 1839 with the privilege of paying at any time after 20 years, at the option of the State, and bearing an interest of 5 per cent. from 1st July, 1839 to be paid at the banking house of N. M. Rothschilds & Sons in London. They were sold on the 24th day of April, 1839, (though delivered in August afterwards,) by the President of the State Bank to the Morris Canal & Banking Company, at 98 per cent. on credit; and with the exception of a few thousand dollars, never have, and probably never will be paid for. In the purchase of these bonds, Doct. Coe had a joint interest with the Bank. The books of the institution show that it was a partnership transaction between them.

The other 23 bonds, issued under this act, ought never to have seen the light. In the above contract with the Morris C. & B. Company of 24th of April, 1839, it was stipulated to deliver them sterling bonds or dollar bonds, at their election. They first elected to take dollar bonds; but after such had been so far prepared as to be signed by one of the commissioners, wanting only the signature of the other, the company changed their mind, and concluded to take sterling bonds. The dollar bonds were then laid aside, without being perfected, and the 1,000 sterling bonds above referred to, were prepared and delivered in their stead. Some time afterwards, 23 of these dollar bonds, numbered from one to 23, (which were all that had been signed by Scott), were brought out, and being now signed by General Stapp, were hypothecated or delivered to Sherwood, without there being, so far as I can discover, any necessity for so doing. These bonds are payable at the banking house of the Morris Canal & Banking Company, or their agency in the city of New York. In all other respects, they are similar in terms to the sterling bonds.

III. The act of 1st February, 1834, authorized the commissioners of the canal fund to contract for a loan of not exceeding $400,000, in addition to the loans already authorized for the completion of the Wabash and Erie Canal, on a credit of forty years; but redeemable, in whole or in part, after a period of twenty-five years, at the option of the State—the loan to be at a rate of interest not exceeding six per cent.

Under this act, 200 dollar bonds, numbering from 1 to 200, inclusive, were sold, on the 27th of February, 1835, to Prime, Ward and King, at a premium of $2 05 per cent. The bonds were dated 1st January, 1835, bearing an interest of 5 per cent., and payable at the Merchants Bank, in the city of New York, forty years from 1st January, 1835; but might be redeemed after the period of twenty-five years, at the option of the State, in whole, or by the payment of not less than fifty per centum on each certificate, at any one period.

On the 17th April, 1835, sixty-four bonds, of $1,000 each, numbering from 501 to 564, and one bond, for $1,257 42, numbered 565, were sold to the Secretary of War, at a premium of seven per cent. They bore interest at 5 per cent., from the 1st July, 1835, and were redeemable at the City of Washington; in other respects they were similar to the last (Doc. Journal 1835). (Whether these bonds *were dated* 1st July, 1835, and so drew interest from their date, or whether they bore a previous date, and were made to draw interest from 1st July, by cutting off the coupons previously falling due, does not appear; the latter is the most probable.) In a subsequent transaction with the Secretary of War, when a further sale of $2,742 58 of stocks were made to him, the bond number 565, for the uneven $1,257 42, was delivered up, and a new bond, of the same number, for an even $1000, was issued—the excess of the $1,257 42, being added to the new loan of 2,742 58, to make an even $3,000, for which three new bonds, numbered 1355, 1356, and 1357, were issued (Minutes of Board, of 26th August, 1836).

On the 3d day of August, 1835, 133 dollar bonds, of $1,000 each, numbering from 566 to 698, and one for $1,742 58 numbered 699, bearing an interest of five per cent. from 1st July, 1835—payable half-yearly, at the Merchants Bank, in New York, and redeemable like the former, were sold to J. J. Cohen, jr., and Brothers, at a premium of five per cent. (Doc. Journal 1835, and minutes of Board, of August 3, 1835).

There were issued, then, to complete the loan, under the act of 1st February, 1834.

200 bonds, Nos. 1 to 200, to Prime, Ward & King..	$200,000 00
65 bonds, Nos. 501 to 565, to Secretary of War	65,257 42
134 bonds, Nos. 566 to 699, to J. J. Cohen, jr. & Bros.	134,742 58
	$400,000 00

IV. The act of 6th February, 1835, authorized the commissioner of the canal fund to contract for a loan of $227,000, to fulfil certain contracts on the Wabash and Erie canal, on a credit of 50 years, but redeemable in whole or in part, after the expiration of 30 years, at a rate of interest not exceeding 5 per cent.

The first sale, under this act, was made on the 3d day of August, 1835, of 64 bonds of $1000 each, numbering from 1100 to 1163 inclusive, and one bond for $1,257 42, numbered 1164 to J. J. Cohen, Jr., & Brothers, at a premium of 5 per cent. The bonds were dated 1st July, 1835, and bore interest at 5 per cent. from that day, payable at the Merchants Bank in the city of New York, and redeemable according to the provisions of the act. Doc. Jour., 1835.

In the same month, 28 August, 1835, 40 bonds similar in all respects to the last, were sold to Prime, Ward & King at a premium of 5 per cent. They were numbered from 1215 to 1254. Doc. Jour., '35.

In July, 1836, 500 bonds were sold at par to J. J. Cohen, Jr., & Brothers on credit; of which 100, numbered from 1255 to 1354, were on account of this appropriation. These bonds were similar to the former, except that they were dated 1st July, 1836. (Minutes of 26 August, 1836, and Doc. Jour., 1836-'7.)

In the same month, $2742 58 of stocks were sold to the Secretary of War at a premium of 7 per cent. On this occasion it was, that bond No. 565, was surrendered up, and $257 42 of the amount of that bond was added to the $2742 58, making an even $3,000 for which the three bonds, numbered 1355, 1356 and 1357, were issued. These bonds were similar in date and tenor to the last.

In November, 1836, 19 bonds, numbering from 1358 to 1376 and similar in all other respects to the last, were sold to Thomas Biddle & Company and the Morris Canal & Banking Company, at a premium of one per cent. (Minutes of board of 26 August, '36. 2 Dec. 1836, and Doc. Jour., '36-'37.)

To complete this appropriation then, there were sold to

J. J. Cohen, Jr., & Bro. 65 bonds Nos. 1100 to 1164	$ 65,257 42
Prime, Ward & King 40 bonds Nos. 1215 to 1254	40,000
J. J. Cohen, Jr., & Bro. 100 bonds Nos. 1255 to 1354	100,000
Secretary of War 3 bonds Nos. 1355 to 1357	2,742 58
Thos. Biddle and others 19 bonds Nos. 1358 to 1376	19,000
	$227,000 00

V. The act of 27 January, 1836, to provide for a general system of internal improvements, sec. 8, authorizes the Canal Fund Commissioners to contract for a loan or loans, in all, of not exceeding $10,000,000, on a credit of 25 years, at a rate of interest not exceeding 5 per centum, for the purposes of the general works of improvement, specified in the act.

Sec. 10 of the act directs the Commissioners to negotiate a loan of not exceeding $500,000 in addition to the loans before authorized by law; the proceeds of which should be applied to finish that part of the Wabash and Erie Canal, lying between the Ohio state line and the mouth of Tippecanoe river.

The 25th and 26th sections of the act direct the Treasurer of State, to deliver to the Lawrenceburg and Indianapolis Railroad Company, state bonds to an amount not exceeding $500,000, payable to bearer in 21 years from the first day of January, 1836, bearing 5 per cent. interest, to be paid half yearly at such place or places as should be agreed upon, on the company's complying with certain conditions and requirements of the act.

After the passage of this act, it was arranged by the board of commissioners, (minutes, 3 June, 1836) to number the Wabash and Erie canal bonds in continuation of those already issued, whilst the numbering of the bonds to be issued for internal improvement purposes *proper,* should be commenced anew.

To take up then first, the bonds issued for the Wabash and Erie Canal in November, 1836, of $1,229,000 of stock—sold to Thomas Biddle & Co. and the Morris Canal & Banking Company, 120 of the bonds were on account of this appropriation. They were 5 per cent. dollar bonds, dated 1st July, 1836, and payable at the banking house of the Morris Canal and Banking Company in Jersey city, or their agency in the city of New York (Fund Commissioner's report, 1836-37). They were redeemable in 50 years, with the privilege of redemption at any time after 30 years, by paying not less than 50 per cent. on each bond at any one time, and were numbered from 1817 to 1936, (minutes, 2 Dec., 1836) and were sold at a premium of 1 per cent.

The report of 11th December, 1837, shows that $380,000 more of these stocks were sold, between 20 June and 1st October, 1837, to Christmas, Livingston & Co. and the Morris Canal and Banking Company; that is, $30,000 to the former, and $350,000 to the latter. The bonds were dated 1st July, 1836, and were payable like the last, and not in 25 years, as is supposed; those to the Morris Canal and Banking Company, at their banking house in Jersey city or their agency in New York, and numbering from 1937 to 2286; and those to Christmas, Livingston & Co. at the Merchants Bank in the city of New York, and numbering from 1937 to 1966; these last being by mistake no doubt, duplicate numbers in part of the bonds sold to the Morris Canal and Banking Company. The sale to the Morris Canal and Banking Company was at two per cent. premium: to Christmas, Livingston & Co. at par.

To complete this appropriation then to the Wabash and Erie Canal, there were sold

To Morris Canal and Banking Company and Biddle

& Co. 120 bonds, Nos. 1817 to 1936	$120,000
To Morris Canal and Banking Company and Biddle & Co. 350 bonds, Nos. 1937 to 2286	350,000
Christmas, Livingston & Co. 30 bonds, Nos. 1937 to 1966	30,000
	$500,000

To the Lawrenceburgh and Indianapolis Railroad Company were delivered in all 221 bonds; that is, on the 18th day of October, 1836, they received from the Fund Commissioners, on the order of the Treasurer of State, 100 dollar bonds, numbered from 1 to 100, bearing date and drawing interest at 5 per cent. from 1st July, 1836, and payable in 21 years from 1st January, 1836, at the banking house of the Morris Canal and Banking Company or their agency in New York (Fund Commissioners' report, 1836-37) ; and during the year 1837, 121 more were delivered, (Fund Commissioner's report of 11th Dec. 1837) numbering from 101 to 221. The register of bonds shows that these last bore date and were payable like the former.

As to the internal improvement bonds *proper,* there were issued 4,600 dollar bonds, numbering from 1 to 4,600, and 4,300 sterling bonds, viz., 1,000 denominated the "irregular bonds," numbering from 1 to 1,000, 400 regular bonds, numbering from 1 to 400, and 2,900 other regular bonds, numbering from 1 to 2,900.

. . . .

As to the irregular bonds, the commissioner, under a contract of sale, in November, 1838, delivered to the Morris Canal and Banking Company, 1,000 5 per cent. sterling bonds at par, bearing date 1st July, 1838, and payable in London. (F. com'r report: 38-9.) It was afterwards objected to these bonds, that they bore date on the Sabbath day, (the first day of July in that year falling, as I understand, on Sunday,) and also that no *particular* place in London was designated for their payment. (Doc. Jour. 1840-'41, p. 304.) To obviate this *serious* difficulty, the commissioner, at the request and expense of the Morris Canal and Banking Company, prepared, and on the surrender of 700, number 1 to 700, and the agreement shortly to surrender the other 300 irregular bonds, delivered a new set of regular bonds, numbering from 1 to 1,000, being the first 1,000 of the above 2,900 regular bonds. The 700 irregular bonds surrendered, it is understood, were subsequently destroyed. As to the other 300, we were peculiarly unfortunate. Instead of being returned, as was agreed, and repeatedly promised, they were disposed of by the company and placed beyond their power to control. Failing in the first attempt to obtain them, a second set of regular bonds, viz: 290, numbering from 2,311 to 2,600, and 10 out of 110, which had been returned by the Morris Canal and Banking Company, of 300 deposited with them by Gen. Stapp, in October, 1840, to raise the means of paying our January instalment of interest, were delivered the company, or the United States Bank, to be exchanged for these 300 irregular bonds. On this effort we obtained 294 of the irregular bonds, leaving 6 outstanding, which have not, nor ever will be returned. But though we got possession of 294 of these bonds, we could not hold them. Instead of being cancelled, as should have been done, they were again put afloat, by being unnecessarily hypothecated with Drew, Robinson & Co., and by them as improperly and unnecessarily sold again.

VI. The act of 17th February, 1838, sec. 3, provides that in case of failure by Congress to provide by 1st Jan., 1839, for the payment of fourth instalment of the surplus revenue, due to this State, the fund commissioner, on being informed by the Treasurer of State, should issue to the State Bank of Indiana, in full reimbursement of said instalment, (which the State had borrowed from the Bank,) bonds to that amount, bearing 6 per cent. interest, and in all other respects similar to bonds issued on internal improvement loans.

Congress having failed to provide for the payment of the 4th instalment, 294 six per cent. dollar bonds, numbering from 1 to 294, were issued to the State Bank. They were dated 1st January, 1839, payable at the Morris Canal and Banking Company, and redeemable 25 years from date.

VII. The act of 19th February, 1838, directs the fund commissioner to negotiate a loan not exceeding $400,000, at a rate of interest not exceeding 6 per cent. on a credit of fifty years, but redeemable in whole or in part, after the expiration of 25 years, at the option of the State; the proceeds of which should be expended in the completion of the Wabash and Erie Canal, east of the Tippecanoe river.

There were sold, under the authority of this act, in January, 1839, to the Morris Canal and Banking Company, 400 five per cent. dollar bonds, numbering from 2,287 to 2,686, as cash, on first of April, 1839, at 90 per cent. They were dated 1st January, 1839, and payable at the Morris Canal and Banking Company, in Jersey City, or its agency in New York.

VIII. The act of 6th Feb., 1839, making an additional appropriation of 400,000 dollars for the Madison and Lafayette Railroad, directs the same to be borrowed by the fund commissioners on the credit of the State, in the same manner that other moneys had been borrowed for purposes of internal improvement.

Under this act, the commissioner issued bonds to the amount, not of $400,000 only, but of $456,000. The ground on which they proceeded, I understand to be, that having contracted for the sale of the entire appropriation at 88 per cent., they felt themselves authorized to issue enough bonds, at that price, to realize $400,000 in money; but this, I conceive, was an unauthorized construction of the act. By the same rule, when a premium was obtained, less bonds should have been issued than the amount of the appropriation. The bonds issued all bore date of 1st July, 1839, and were made payable to the Morris Canal and Banking Company or bearer, at their banking house in Jersey City, or their agency office in the city of New York. They were dollar bonds, bearing 5 per cent. interest.

Of these bonds 221, numbering from 1 to 140; 201 to 241, and 401 to 440, were sold to the Madison Bond Company (so called) or to others, and the sale adopted by them. Of the residue, I learn partly from documents and partly from information derived from General Stapp, that 54, numbering from 141 to 169, 362 to 370, 393 to 397, and 446 to 456, were hypothecated to Sherwood; 62, numbering from 170 to 200, 341, 371 to 392, 398 to 400, and 441 to 445, were hypothecated to Robinson; 60, numbering from 301 to 360 were loaned to J. D. Beers, and others returned in the place of them, and 59, numbering from 242 to 300 were used by the Madison Bond Company in paying estimates for work on the Railroad, done under the new contract or arrangement of 5th March, 1841, with the then commissioner.

X. The act of 13th February, 1841, sec. 19, directs that the fund commissioner shall attend to the payment of interest on the State debt, and that in case funds shall not be provided by the State for that purpose, it shall be lawful for him to procure the same by a sale of State bonds for the payment of interest, and for the redemption of Treasury Notes, and for the payment of the Bank debt; and, except for these purposes, that no further bonds should be sold or issued on any account whatever.

No funds having been provided by the State to pay interest, dollar bonds, numbering from 1 to 800, dated 1st March, 1841, bearing an interest of 7 per cent. from the first day of July, 1841, and payable to and at the Merchants Bank in the city of New York, in five years from 1st July, 1841, were duly prepared. (Treasurer's Report, 1st December, 1841.) Of these, 6 bonds, numbers 1 to 6, were exchanged by the Treasurer for Treasury Notes. Not being able to negotiate the others so as to pay interest, 50 of them, to make them more acceptable, were changed into two year bonds, by erasing 'five' and inserting 'two' years; and also 100 new bonds, numbering from 1 to 100, and payable in two years, and in all other respects similar to the former, were prepared for issue. Of the bonds interlined, 22, Nos. 203 to 210, and 239 to 252, were exchanged for coupons, and 8 of the others, Nos. 11 to 14, 17, 21, and 28 to 35, were left with the broker in New York, to be so used. For the 30 bonds thus parted with, we have as yet received only about $26,000 in coupons. The residue, being 864 bonds, were never sold, and are still on hand. I received from the President of the Merchants Bank, with whom they had been deposited for safe keeping, the 28 interlined bonds not used, and 92 of the two year bonds, not interlined, which I have cancelled and deposited in my office. The residue issued under this act are in the office of the Treasurer.

The foregoing comprises all the bonds so far as our accounts show, issued under the authority of this State; with as accurate a description of them, and of the times and terms of their sale or other disposition, as our accounts, unfortunately in many instances imperfect, will admit. There were other bonds, and to large amounts, duly signed and prepared to be issued; but at a meeting of the board of fund commissioners, (minutes 16th August, 1837) it was resolved, after the delivery of certain bonds then sold, &c., "that Isaac Coe destroy the balance, which were dated previous to 1st July, 1837; except that he reserve a few to supply any which might be found defective after delivery;" and at different times afterwards, bonds which had been prepared for sale and not used, were ordered to be destroyed; and it is to be presumed, were destroyed.

Of the 14,910 bonds issued, there have been returned and destroyed, or cancelled:

"Irregular bonds"		700
Received by Gov. Noble from Robinson	150	
Received by Gov. Noble from J. S. Hunt & Co.	21	
Received by Gov. Noble from Houghwout	12	
Received by Gov. Noble for Canton stock	10	
Received by Gov. Noble for Harlem Railroad bonds	22	
	215	
Less delivered to Madison Bond Company, and used to pay estimates on Madison and Indianapolis Railroad	6	209
Received by me from Robinson	106	
Received by me from Stevenson, for Fisk	4	
7 per cent. bonds returned by Merchants Bank	120	
7 per cent. bonds not used, in hands of Treasurer	744	974
		1,883

Besides these, there has been a number of bonds returned the past year to the Treasurer, by the Lawrenceburgh and Indianapolis Railroad Company, as I am informed; and also some of the surplus revenue bonds, but to what extent I am not informed; so that the number outstanding at this time is probably something less than 13,000.

The interest on the entire debt was promptly met up to and including 1st January, 1841, and since that time it has been regularly paid on so much of the debt as was contracted under the original bank charter. The July instalment (1841) of interest on the 68 bonds sold to the Secretary of War, (Fund com're rep. 1841-2) has also been paid, and about $26,000 more was paid last year, on other stocks, by the exchange for coupons, of the 7 per cent. 2 year bonds.

A large amount of coupons, however, for which payments has been made, has not been returned. There are now in the U. S. Bank, at Philadelphia, about $60,000 of coupons, which were payable at the Morris Canal and Banking Company, and for the payment of which the money was deposited in 1838 and 1839, which are withheld on the ground, that there is an unsettled account between the bank and the company, which, when closed, will leave the latter indebted to the former, and these coupons will be looked to as the means of payment. Had they been called for at the time they fell due, there is no doubt they would have been delivered; and it is to be regretted that they were not. How many other coupons are wanting, I have not yet been able to ascertain, though I am satisfied there is a large number.

There has been received on account of bonds sold or hypothecated the sum of $8,593,358, and there is yet due the State about $4,000,000. The debts owing the State are from the following persons:

1.	J. J. Cohen jr. & Brothers, besides interest ....$	50,000 00
2.	Morris Canal and Banking Company	2,536,611 72
3.	Bank of Western New York, at Rochester	240,000 00
4.	Detroit and Pontiac Railroad Company	90,000 00
5.	Erie County Bank and Sherwood, about	587,000 00
6.	Binghampton Bank	58,200 00
7.	Hiram Pratt	35,600 00
8.	Bank of Commerce, (Buffalo)	48,125 00
9.	Bank of America, (Buffalo)	50,000 00
10.	Bank of Newburyport, say	26,400 00

11.	Bank of Circleville, (Ohio,) say	44,000 00
12.	North American Trust and Banking Company	175,000 00
13.	Reuben D. Dodge, say	25,520 00
14.	Staten Island Whaling Company, say	60,000 00
15.	Madison Bond Company	14,000 00
16.	Merchants Exchange Bank of Buffalo, say	170,000 00

. . . .[2]

M. G. Bright, Agent

W. B. Mitchell to Editor Goshen *Democrat*[1]

Senate Chamber Jan. 6, 1843

Sir:—I have deferred writing to you for a long time, in hopes that I might have something of importance to communicate, and in these changeable times, I did not think it expedient to give you my opinion of measures in prospective; as, from present appearances, in nine cases out of ten, the best *guesser* might be wrong. There is no doubt of the fact that so far, the action of both parties has been to try who can practice the most political tact, and outmanoeuvre their opponents. This is very unfortunate for the interests of the country generally; and the outward visible sign of what may be expected hereafter, is strongly premonatory that the people may be disappointed in their expectations of beneficial results from the labors of the present Legislature.

Relief laws are presented in a great variety of forms—almost every member has a project of his own. For my part I have none. I have ever opposed all laws having a retrospective effect upon the relations existing between the parties; and this objection is based as well upon public policy, as upon constitutional grounds. I do not believe the Legislature has the Constitutional right to change the nature of liabilities contracted under existing laws. Under all the circumstances, I think the laws as they now are should not be changed.

To-day we have had before the senate, on its final passage, a

[2] The remainder of the report discusses in detail the debts owed by the sixteen companies listed.

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[1] Goshen *Democrat,* January 19, 1843. Mitchell, a Democrat, was representing the counties of Elkhart, Kosciusko, and Whitley in the Senate.

Bill, making treasury notes a legal tender in payment of all State and County dues, and also for trust funds, &c. The Bill passed—but immediately upon its passage, Mr. Gregory moved a reconsideration, which was not decided at the adjournment. I believe the Bill will NOT be reconsidered. I do not like some of its provisions, and did not vote for it on it's final passage.[2]

The Districting Bill is all in a muss.—We have two distinct bills in the Senate, and I do not know how many there are in the House. Col. Jackson introduced an amendment to the House Bill, which strikes out all from the enacting clause, and inserts a new bill—if it should succeed, it is the honestest proposition which has been made in either branch. But I fear it will not meet with much favor from either party, as it is not calculated to promote the views of either *great* men or their political dependants.[3]

We have had a white squall, by the efforts of the Whigs to expell from his seat the Hon. W. Brown, of Marion. I am one of the joint Committee on the State Library, and consequently it would not be proper for me to say any thing about it till the matter is finally determined.[4] Yours,

W. B. MITCHELL

John Jackson to Editor Goshen *Democrat*[1]

INDIANAPOLIS, Jan. 17, 1843

DOCTOR ELLIS:—Since you left here, we have made some progress in our Legislative duties; a number of laws of a local nature have passed the House and Senate. The Bill making State Scrip

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[2] This was H. B. 52. It passed both houses of the General Assembly and was approved by the Governor. See above, 462n.

[3] See above, 562n.

[4] The state auditor had reported a defalcation in the accounts of Senator William J. Brown, former secretary of state and state librarian. The joint committee of the two houses on the affairs of the library spent considerable time on the matter inasmuch as it involved the constitutional right of an individual legally elected to a seat in the legislature. Brown was aquitted. *Senate Journal,* 1842-43, pp. 303, 309-10. The editor of the Rushville *Whig* claimed that his acquittal was a political move, to enable the Democrats to keep even with the Whigs in number. Issue of February 24, 1843.

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[1] Goshen *Democrat,* January 26, 1843.

receivable for State and County dues, has at length passed, and only wants the signature of the Governor, to become a law. It was very near being lost by falling between the two houses—it passed the House; as I before informed you. After remaining in the Senate for some days, it was at length amended so as to make it receivable for lands sold for the construction of the Wabash and Erie Canal, and not receivable for sinking fund dues. The House refused to concur in the amendments. Committees of free conference were appointed, who reported in favor of the amendment of the Senate; the House by a vote of 47 for, and 40 against it, received and adopted the report of the Committee, which was the passage of the bill. I had decided against mixing State funds with W. & E. Canal funds, and was therefore forced to vote against it on its final passage. The Execution law is not yet finally acted upon; the bill, as reported by the committee, has been up before the House twice; the first time it was recommitted with instructions to amend, and the second time several motions were made to amend and to commit; but before any action was had, the House adjourned.

I thought three weeks ago, a Relief Bill would have passed the Legislature, far beyond what I had expected or asked—but it has cooled down so, that I am doubtful I shall not get the relief that I asked for—that is, only one execution in a year, except at the cost of the plaintiff; unless the property should sell, in which case it should be taxed against the defendant.

Yesterday evening, a number of Whig delegates having arrived, the Senate, for the purpose of making a Whig display before their constituents, passed a resolution to go into the election of U. States Senator on next Monday, provided the House would reciprocate by Thursday. It was brought into the House when some Whig moved to take it up and reciprocate the resolution of the Senate. The Democrats of the House discovered that it was a project for political effect, and determined that they would not go into the election, until the member elected from Jackson county should arrive.[2] A discussion ensued, which was warmly kept up by Davis,

[2] Samuel P. Mooney was elected to fill the vacancy occasioned by the death of Ezekiel L. Dunbar during the last week of December. He was

Gorman, and Henly, Democrats, and Bradley, Edwards, Lee, and Butler, Whigs, until dark; when the House adjourned without any action on the subject. So sharp a conflict we have not had during the session.

. . . .

JOHN JACKSON

Bigger to Senate Committee on Agriculture[1]

EXECUTIVE DEPARTMENT,
January 18th, 1843

JOHNSON WATTS, Chairman Com. on Agriculture:

SIR: In reply to your enquiry respecting the standard weights and measures belonging to the State, I can inform you that there is now a box in possession of the Treasurer of State, containing a set of weights according to the standard adopted by the General Government. These weights have been in the State House, closely boxed up, for three or four years, but I knew nothing of their existence until some two or three weeks since.[2] I find, upon examining the laws of Congress on the subject, that in addition to the weights, we are to be furnished with standards of measures, and also with a standard balance. The balance is now in a state of preparation by Mr. Hassler, under the direction of the U. S. Secretary of the Treasury. My attention was called to these matters in connection with the revision, and my mind is satisfied that no sufficient enactments can be made on the subject until the whole of the standards are procured.

It will afford me great pleasure to exhibit the weights now in our possession to any member of the Legislature who may wish to examine them. They are now in a room of the State House.

Yours, most respectfully,

SAM'L BIGGER

seated on January 21. Both men were Democrats. *House Journal,* 1842-43, pp. 252, 447.

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[1] *Senate Journal,* 1842-43, pp. 413-14.

[2] See *Messages and Papers of David Wallace,* 347n.

Bigger to the Speaker of the House of Representatives[1]

EXECUTIVE DEPARTMENT,
January 20th, 1843

HON. T. J. HENLEY:—

SIR:—I herewith transmit, to be laid before the legislature, a communication from J. J. Cohen, Jr., representing the late firm of J. J. Cohen, Jr. & Brothers, of the city of Baltimore. The communication has reference to a part of the suspended debt, which arose originally in consequence of the failure of the Messrs. Josephs of New York, to meet their engagements with the State. The grounds, so far as I understand them, which are assumed by the Messrs. Cohens, in proposing the present adjustment, are these: They offered to take a State loan of a certain amount on their own responsibility; at the earnest solicitation of the fund commissioner they consented to an increase of the amount of the loan, uniting in it with the Messrs. Josephs of New York, with whom the Messrs. Cohens had no business connection, but supposed all the obligations would be punctually discharged from the reputation which the Messrs. Josephs sustained. The Messrs. Josephs failed for a large amount, and thus embarrassed the firm of Cohen & Brothers. They insist that their entanglement with the Josephs the injury which their credit sustained by reason of their connection with this disastrous transaction, and the sacrifices which they have made to sustain themselves, and discharge their obligations to the State, have been the means of destroying their business, and rendering them unable to meet these obligations. They allege that if they had closed the contract for the loan as they at first offered, but which they changed, as they insist, at the urgent solicitation of the Agent of the State, they would have been able to have met promptly all their liabilities and sustained their credit. They desire an investigation of their accounts and the manner of their liability, with a view to settle and liquidate their debt, and close their transactions with the State.

Mr. J. J. Cohen is now at the seat of Government, and expresses a wish to appear before the committee to whom his communication may be referred, to make such explanations and submit such testimony as the nature of the case may require.

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[1] *House Journal,* 1842-43, pp. 452-53.

I cannot but hope that the subject will receive such consideration as will lead to a safe and satisfactory adjustment of the matters embraced in the accompanying communication.

I am, sir, most respectfully, Your obedient servant,

SAM. BIGGER[2]

President of the State Bank: Reply to Senate Resolutions[1]

[January 20, 1843]

TO THE SENATE:

I have received your resolutions of the 13th, requesting me "to inform the Senate from what sources the estimate of losses in the annual report of the State Bank was derived, and what reliance can be placed on that estimate; whether I am aware of any losses being occasioned by usury, or by discounting for persons out of the Branch districts, or for favorites; whether notes are renewed without curtailment, or the payment of interest, and if so, in what Branches, and to what extent; what neglect there has been in the officers of the State Board, or the Branches, in the examination of the conduct of their officers, and what course has been taken by the State Board to correct improper proceedings in the Branches; also, an estimate of the losses of the citizens of the State by the suspension of specie payments by the Banks, and the prices paid for exchange on account of the suspension; and an estimate of the future business and profits of the Bank to the State; and the reasons why the Branches have not discounted more of the Bank Scrip, issued under the joint resolution of last session;" and I have also received two resolutions of the 19th, requesting information "as to the reception of the Bank Scrip by the Bank in the

[2] The Assembly passed a joint resolution authorizing the Agent of State to settle with J. J. Cohen, Jr., and his brothers. *Laws of Indiana,* 1842-43 (local), pp. 184, 205. By it the Agent was authorized to receive from Cohen and his brothers $50,000 in Indiana state bonds as full payment of their debt to the state.

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[1] *Documentary Journal,* 1842-43, Senate Doc. No. 8.

payment of the State debt; the action of the State Board on the subject; what course has been pursued by the Branches in putting this scrip into circulation, and if there are any of the said notes in circulation without being paid out at the counter of the Branches, and why a greater amount of them have not been discounted."

In answer to the part of the first resolution relative to the estimate of losses, I beg leave to state that, within the last three years, the officers of the Branches have been called on four times to answer interrogatories as to their desperate and doubtful debts; that at the examination last fall, a list was made out, setting forth particularly the debts considered *bad* and *doubtful, when protested, whether sued,* &c., and the reports of most of the Branches, from which the condition of the Bank was shown to the Legislature, contain statements of their solvent, doubtful, and desperate debts. From these reports, and the answers made to the interrogatories, the estimate of the losses on the discounted paper was made out. No one, personally acquainted with the officers of the Branches, will hesitate to say, that in each of them there are persons incapable of representing their condition untruly. Their reputations depend on the prosperity of the institution, and it is not less their interest than their duty to know and disclose the real situation of the debts. If they encourage the making of dividends that have not been earned, they endanger their employers, and they permit the individual stockholders who elect them, to be wantonly sacrificed. As all the private stock in a Branch must be lost before that of the State can be touched, scarcely any supposition can be more absurd, than that the managers of the Branches should, for no conceivable object, disregard the admonitions of duty and interest. That these officers are not deficient in knowledge of their customers and capacity for business, must be evident from the success with which they have passed through the late crisis.

It has been the practice to charge up, as lost, all paper on which it is ascertained that nothing can be collected. Of the debts marked *desperate,* $82,582, very little is so worthless but that a portion may not yet be realized. Of those marked *doubtful,* $96,378, the collection of about one half is anticipated.

There is more difficulty in giving a satisfactory estimate of the value of the banking houses. Four of the Branches have already deducted about $14,000 from their profits, on account of supposed depreciation below the actual cost; other Branches have been recommended to make similar deductions, and they will do so from time to time, as shall seem just and reasonable. The losses by Bank balances and depreciated paper will not exceed $30,000. To meet this sum, and the losses on banking houses, there is of suspended interest due from the State not yet charged up to the profits, though received in Bank Scrip, $43,833 10, and at least $30,000 of suspended interest due from individuals. These sums are ample to cover the losses referred to.

There need be no losses from delinquent Cashiers if their official bonds are prosecuted as they should be.

The present losses are therefore estimated as follows:

Bad debts	$ 82,582
One half of the doubtful	48,189
Total	$130,711

To meet this, there is a surplus fund of $332,672 39, which will leave over $200,000 for future losses, before the capital of the Bank can be affected. What these losses may be, it is impossible, at this time, to determine. Customers who have been reckoned *good* until now, might be thought to stand fair for continuing to pay their debts, yet this will not be the case with all. But while losses occur, profits also may be expected to be realized. What these may be, will be noticed in another part of this communication.

I have never yet heard that any of the Branches have sustained losses by loaning to *favorites,* or on account of *usury*. The payment of notes and bills has been repeatedly contested for *alleged usury,* but as no case has ever yet been decided against the Bank, the plea is presumed to have been merely for delay. Some of the Branches have made discounts for persons living out of their districts, and sustained losses by them, but there have never been, so far as I know, any improper inducements for making these loans. The Branch at Bedford has suffered the most by these operations, which were occasioned merely by the want of borrowers at home who would pay punctually. Until within the last two years, the Branches generally required regular curtailments on their notes, and until the present time, I have never been advised of any instances in which notes have been renewed without the payment of interest. The impossibility of collecting debts, the difficulty of selling Bank stock, and the want of borrowers who expect to make punctual payments, has forced most of the Branches to renew notes occasionally, with but little or no curtailment. Except in three Branches very few renewals have been allowed, that, under the circumstances, were exceptionable.

Whatever neglect there has been in examining the Branches, on the part of the State Board, the most of it is to be imputed to me. These examinations are required by the charter to be made twice a year, and they have usually occupied over two days to a Branch, on each occasion. This, with the time spent in traveling, which has averaged 5,000 miles a year for the last eight years, requires at least fourteen weeks a year. During the last two years, more than a fourth of the time has been employed in signing $700,000 in small notes, and another fourth in the duties pertaining to the sinking fund, so that with the sessions, reports, correspondence, &c., there has been seldom an hour free from official calls. That nothing has been neglected will not be pretended, yet in every examination, the funds were looked after, and the overchecking, if any, was noticed, and all cases of importance reported to the State Board. In the case of the defalcation at Terre Haute, there is no certainty as to the precise time it occurred. The first false entry that can be ascertained is a charge of $10,000 *to defaced notes* on the 25th April, 1841. In Nov. 1840, the Branch was examined by Mr. Buell, and by me in March, 1841, when no deficiency was discovered. At the Sept. examination 1841, and again in the spring of 1842, the defalcation escaped my notice. Previous to issuing the small notes, no new paper had been sent to the Branches for several years, and the *Branch note account* did not therefore attract particular attention. This fall however, an *account current* from the books of the State Bank was taken along, and the variance would have been discovered by me, had I reached Terre Haute before the arrival of the Agent of the State.

Since the organization of the Bank, there have been, as might have been expected, many proceedings in several of the branches, that have been deemed impolitic, and others, censurable by the State Board. These have been referred to in different annual reports, and the committees of the Legislature have had free access to the proceedings of the State Bank, which they desired to inspect. It has been found necessary, on various occasions, to withhold dividends, prohibit discounts, limit business, and require the removal of officers and directors in the Branches. At the outset, when the facility for collecting debts was such, that a Branch might have been closed up in haste with but little loss, the leaning in the State Board was rather against the suspending of the Branches, unless as a last resort. At this time, the feeling is strongly at the other extreme, and mere promises of amendment, without corresponding action would receive no favor. The Branches having no share in each others' profits, and being responsible for their losses, are jealous and sensitive; and appeals are frequently made to me to take immediate steps to suspend any Branch from which there is an appearance of danger. This state of things has required such interference with the business of some of the Branches, as would not have been thought of five years since. No restrictions are imposed but from necessity, but should the interests of the institution require it, any of the Branches can be put substantially in liquidation, under the care of its own directors. This has been done repeatedly, in the belief that the good of the whole was best consulted, by leaving the care of the assets to those most interested, where it could be done with safety. A detail of the errors and inadvertencies of the officers of thirteen Branches, during more than eight years' business, can be neither interesting nor profitable, especially as the most of them have been repeatedly before the Legislature. It would have been strange, indeed, if in the press of daily business, and amongst thousands of transactions, there should not arise real or imaginary causes of complaint. There is no proof, nor, in fact, accusation, that any one of these has been approved by the State Board, which is the only body representing the whole institution.

A brief review of the condition and business of the Bank, since the suspension, and of its gradually reduced circulation, and discounts at different periods, will furnish, it is believed, incontestable proof that the suspension did not "induce large and hazardous loans," nor an "overgrown circulation," nor "produce a wild spirit of speculation, based on this over-issue;" nor have the citizens of the State, as a whole, been losers by the suspension, or by the rates of exchange charged during its continuance. The first suspension continued from May, 1837, until the 13th of August, 1838. During that period the Bank reduced its discounts $802,700 58; its circulation, $214,815, and its debt to the United States, $1,251,-385. While the Bank continued to pay specie, from August, 1838, to November, 1839, it increased its discounts $691,486 92, and its circulation, 724,135 dollars. During the second suspension, which lasted from November, 1839, to June 15th, 1842, the discounts were reduced $746,052 81, and the circulation, 845,735 dollars. From the 15th of June to the 1st of November, there was a further reduction of the circulation, to the amount of 546,244 dollars; but during the months of November and December, the circulation has been again increased 200,745 dollars. Such facts require no comment!!

Some of the business of the Bank, like most of that undertaken in the country, has resulted unfavorably, but the general course which has been pursued is entitled to the approbation of the intelligent of all parties. The paper of the Bank was kept so near in value to specie, during the suspension, that probably not one citizen of the State in a thousand, has ever been a loser by it. Its circulation here, drove out to a great extent, that of the Banks of Ohio and Illinois, which have since become bankrupt. The high prices for exchange have been mostly paid by foreigners, and have not been higher here than in other places in the West; and if there had been no Banks, the prices of exchange in the hands of brokers, would have been still higher. It can be demonstrated beyond dispute, that neither in 1837, nor in 1839, could the Bank have sustained itself in paying specie. Its coin would have been paid out to foreign brokers, the first advised and most active in these matters. When the specie was gone, the paper would have depreciated; the stock of individuals and of the State in the Bank would have been seriously impaired; the collection of debts would have been ruinously pressed for a short time, and then from the nature of such business, must have been arrested altogether. The prices of exchange would have been double, and the losses by the paper of foreign Banks, ten times what they have been.

The course pursued by the Bank, has maintained its honor with the General Government, by paying its whole deposite claim of $1,427,887; it has checked the contraction of new debts; hastened and facilitated the collection of old debts; given to the farmer prices for produce, far above what can be paid in the present currency; it has maintained the honor of the State, so far as it could be done, by paying regularly the interest on the State bonds sold for Bank capital; it has, by its operations, and that of the Sinking Fund, yielded a clear profit to the State, of 750,000 dollars; and the institution now stands on a safe and firm basis, no matter what prejudiced individuals may say to the contrary.

The future business and profits of the Bank depend on so many contingencies, that no estimate can be made on the subject, but in connection with the circumstances in which it shall be placed. Some of these that are adverse, each apparently inconsiderable, may unite and prevent the success of the best concerted plans, which the Bank can adopt. As at the commencement of operations, so at this time, public confidence may be easily shaken, and little use can be made of bank credits only as the possession of strength shall justify them. The circumstances that now threaten to be most unfavorable are the *constant exhibition of all bank borrowers as guilty before the community; the making the business of banking a matter of party contest, and the obstructions thrown in the way of collecting future debts,* which, in effect, deprive industry, enterprise, and honesty of the credit and influence which they ought to possess.

The interests of the State, in the Bank, give the right, and make it the duty of the state authorities, to *point out specifically all that is wrong,* and hold *up to reprobation, those who have done the wrong.* Then all who are not implicated, may hope to obtain such share of public confidence as will enable them to act with profit to their employers and the public. Let the individuals who have been concerned in *"usury, favoritism, large and extensive loans, loans for shaving and brokerage, and monopoly,"* if such there be, be pointed out, and the particulars of their guilt be fastened on them. But that citizens who from public spirit, have been unsuccessfully employed in exporting the produce of the country, and those who, from kindness of heart, have suffered by endorsing for others, should be specially marked out for odium and all their liabilities published to the world, as if to prevent their being able to pay them, is, to say the least, a novel and unheard of proceeding. As a description of all the faults and weaknesses of an individual, without noticing his good qualities, would, in general, do him great injustice, so the publication of the debts of bank borrowers, without stating their means of payment, their business, capital, and other particulars, must be ruinous to numbers. Twice a year, a list of all the debtors in the Branches is taken to be laid before the State Board, and these lists from the commencement of operations, might be examined by committees of the Legislature, if they chose, and what is wrong in them, exposed and corrected. But at this time, when the payment of debts is so difficult, to connect the borrowers from the Bank, with all the enormities supposed to have been committed in all the Branches, in eight years, will contribute to produce no small part of the losses that have been so triumphantly predicted.

But in spite of all these difficulties, if even now the Bank could rely on escaping the evils of party opposition, if some of its burdensome stock could be cancelled, and if the laws for the collection of future debts should not be framed to prevent the avowed object, there appears to be no reason why the Bank may not meet all its losses, and divide 6 per cent. a year for the next two years, and from that time at the former rates of 9 and 10 per cent.

In the convulsions of the times, when all property is reduced largely in value, the capital stock of the Bank, "its enemies being judges," has depreciated less than any other description of property, and now, when the prevailing sentiment is, that those who *do and venture the least,* are the most prudent, where is there any other business, that against such obstacles, can promise to pay losses and expenses, and divide fair profits?

In answer to the last clause of the second resolution, and the two resolutions of the 19th, relative to the bank treasury notes, I beg leave to state, that the Branches have accepted these notes in payment of the debt due from the State, and that the State Board has had no other action on the subject, than to recommend that they should be disposed of on favorable terms, to the borrowers of the sinking fund and surplus revenue, to enable them to pay principal and interest, and that these notes should not be issued as a currency to be received by the Bank in payment of all debts. I am not aware of any "professions by which the Branches sought their issue," nor do I understand that there has been any private or indirect mode of disposing of them. The Branches were anxious to obtain the payment of the debt from the State, in the belief that it would be difficult for a part of them to sustain specie payments without it. But when five years of delay were granted to the borrowers of the sinking fund and the interest reduced, so that few of them could be expected to pay within that time; when the other state scrip depreciated nearly one half in a few days; and when earnest preparation was making to resume specie payments, the introduction of a new currency would have been hazardous. The banks of Illinois, and many of those of Ohio were failing, and the circulation of our Bank, was then, and still is, much larger than that of other institutions of similar capital. In these circumstances, the most experienced officers of the Branches believed it would be easier for the Bank to keep up the circulation of its own paper to $2,000,000, than sustain the bank scrip at or near par, and only one million of its own paper. These and other matters have, therefore, prevented the Bank from availing itself of the privileges granted by the law of last session.[2] There has been another insuperable obstacle to the discounting of the scrip, under the law. In explanation of this, the legal opinion of Chancellor Kent is herewith submitted, which is in confirmation of the highest authority on such subjects in the west.[3]

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[2] Merrill is referring here to the joint resolution of January 31, 1842, whereby the state issued treasury notes to pay off the debt which it owed the bank. *Laws of Indiana,* 1841-42 (general), p. 82.

[3] Merrill had applied to Judge James Kent of New York for a legal

No particular mode of disposing of these notes has been adopted by the Branches. A few were issued by the Lafayette and Lawrenceburgh Branches, to be received in payment of debts, but the effect was merely to make a present to the best debtors. More have been paid into the State Treasury than for any other purpose. The Lawrenceburgh Branch paid out $7,000 of them to purchase a mortgage, which removed a lien that had prevented the collection of a large debt.

Persons who have had occasion to make payments into the sinking fund, have been accommodated with these notes on reasonable terms. The Branches will cheerfully part with them at a discount, or on a long credit, or for cash notes, where they can rely on payment without suit.

The persons who barter with the Bank for them, might justly complain, if any deceit was practised on them, or if they were asked to pay interest and good funds on a loan of depreciated paper, but that any other person should expect the Branches to pay more for this scrip than they are anxious tc sell it for, appears scarcely more reasonable than that merchants should be asked to buy back goods at higher rates than they had charged on the sale.

Respectfully submitted,

S. MERRILL

State Bank, Jan. 20, 1843

Bigger to the Speaker of the House of Representatives[1]

EXECUTIVE DEPARTMENT,
January 21st, 1843

HON. T. J. HENLEY, Speaker of the House of Representatives:

SIR:—The enclosed communication, though purporting to be from a private individual, relates to a subject of so much impor-

opinion regarding the treasury notes, and received in reply the opinion that the notes were considered as "bills of credit" within the province of the United States Constitution and consequently null and void. The decision of the United States Supreme Court in the case of Craig *v.* the State of Missouri was cited as covering a similar situation. The opinion was printed in full in the Madison (Ind.) *Courier,* February 4, 1843.

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[1] *House Journal,* 1842-43, p. 455.

tance, that I have deemed it proper to transmit it to the House over which you preside, with an earnest request that the subject may receive that consideration to which it is justly entitled.[2]

I have the honor to be, Yours most respectfully,

SAM. BIGGER

John Jackson to Editor Goshen *Democrat*[1]

INDIANAPOLIS, Jan. 24, 1843

DEAR SIR:—Since I wrote you last, we have made considerable progress in our business—a great many local laws have been passed, and some of a general nature. The Execution law passed the House in a shape that I could not vote for it, what its fate will be in the Senate, I cannot say. The Bill for districting the State, was hurried through the House, cutting off amendments by the previous question, nearly as it came from the committee; It is not yet acted upon in the Senate. . . . The vote on its passage in the House, was 54 to 36; I, of course voting against it. Mr. Bradley of Laporte, introduced a bill to incorporate a company under the provisions of Marshall's bill of last winter, to construct a Rail Road from Michigan City to the town of Laporte; on the second reading it was referred to the committee on Corporations. It contained a provision that the Buffalo and Mississippi Rail Road Company might avail themselves of the provisions of said law, provided that they would accept it within 3 months from the passage of said bill.—But if they refused to accept within that time, then any other company might be formed, and proceed under the

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[2] This communication concerned the establishment of marine hospitals on the Mississippi River and its tributaries and on the Great Lakes for the benefit of sick and disabled seamen. It was referred to the House committee on Federal relations which reported a joint resolution favoring the establishment of such hospitals which was passed and approved. *Ibid.*, pp. 473-74; *Laws of Indiana,* 1842-43 (local), pp. 192-93. The establishment of such hospitals had been the subject of previous consideration. *Messages and Papers Relating to the Administration of James Brown Ray . . . 1825-1831 (Indiana Historical Collections,* vol. 34, Indianapolis, 1954), 480; *Messages and Papers of Noah Noble,* 349n.

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[1] Goshen *Democrat,* February 9, 1843.

provisions of this charter, to construct the said road—thus granting said company the privilege of taking possession of the route and occupying if they chose, the labor of the Buffalo and Mississippi Rail Road Company. I explained the nature of the case to the Committee on Corporations, and at my suggestion, a section was added, providing that any company thus formed, should, previous to commencing operations upon said road, pay to the Buffalo and Mississippi Rail Road Company the amount by them expended, in creating and constructing said Road.—When it was reported from the committee, the House refused to concur in the amendment, and the Bill was engrossed for a third reading by a majority of two votes. Yesterday it came up in the orders of the day, when I moved to recommit, with the following instructions; insert a section providing "that before any company which may be formed under the provisions of this act, shall proceed to construct said Rail Road, they shall pay or secure to be paid unto the Buffalo and Mississippi Rail Road Company, a fair compensation for locating and for the labor done on said Road between Michigan City and Laporte, to be estimated by some competent engineer." After some debate between Bradley and myself, the motion to recommit carried by a majority of 8 or more votes, so that the bill, if it passes, will have my amendment attached to it.[2]

This has been a glorious day for Indiana. The die has been cast this day, and Edward A. Hannegan is elected United States Senator, although it is not as we wished, as our first choice was Howard. Yet, from existing circumstances we could do no better. The two parties were completely tied on joint ballot, and Mr. Hoover pledged to vote for Smith, it required the best policy to enable us at all to succeed. It so happened that the true policy was adopted. Gen. Howard is not here, but from existing circumstances, he cannot reflect on his friends, for all was done for him that could possibly have been done. One Whig vote could be obtained for Hannegan, that Gen. Howard could not get—that vote (Mr. Kelso's) elected him.[3]

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[2] The bill passed. See *Laws of Indiana,* 1842-43 (local), pp. 65-66.

[3] On a joint ballot of the two houses, the Whigs and Democrats were evenly divided, 75 to 75. Oliver H. Smith, the incumbent United States

Six ballots resulted as follows, every member being present:[4]

	1st.	2d.	3d.	4th.	5th.	6th.
Howard	74	73	73	73	73	1
Smith	72	75	73	73	70	70
Hannegan	3	1	3	2	2	76
Hendricks			1	1		
M'Carty				1	5	
Marshall	1					3

Five ballotings before adjournment and one after. After the Convention adjourned, the House adjourned, the Democrats taking a jollification, and the Whigs, poor things, go hanging down their heads. To-night Ned is to address those that may attend in the Hall of the House. As the time has arrived, I must conclude this letter—more particulars when I return.

I remain yours, &c.

John Jackson

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senator, was the first choice of the Whigs, while Tilghman A. Howard was the choice of the Democrats. The Whigs were hopeful of victory inasmuch as David Hoover, a Democrat from Wayne County, had promised to support Smith. However, when the balloting began, Daniel Kelso, a Whig from Switzerland County, refused to vote for Smith and gave his vote to Edward A. Hannegan, a Democrat. If Kelso had remained true to his party, Smith would have been elected on the second ballot. Hoover voted for Smith on the first two ballots, but on the third and fourth he switched to William Hendricks. On the sixth and final ballot, Howard was dropped by the Democrats in favor of Hannegan who received the necessary 76 votes to elect him. The voting was viva voce. Hoover and Kelso were both dubbed as traitors by their respective parties. Smith, *Early Indiana Trials and Sketches,* 353-55; *Indiana Election Returns, 1816-1851,* 134; New, "The Importance of a Single Vote," in *Indiana Magazine of History,* 31:104-8. See also David Hoover to Charles H. Test, February 3, 1843, below.

[4] According to the official tabulation in the *House Journal,* 1842-43, pp. 490-95, Howard received 74 votes on the second ballot, while on the sixth ballot Smith received 69 and Marshall, four.

Report of House Ways and Means Committee[1]

[January 25, 1843]

MR. SPEAKER:

The Committee of Ways and Means, whose duty it is to examine into the state of the public offices, and the condition of the finances of the State, have performed that duty, and have directed me to submit this as their annual report:

The offices of the Auditor of Public Accounts and Treasurer of State, have been examined with some degree of minuteness and care, and so far as the accuracy of keeping their respective accounts is concerned, the committee have no accusation to allege or fault to find; every facility has been afforded to the committee in the discharge of their duty by these officers.

It is far from giving any pleasure to the committee to even call the attention of the House to the embarrassed state of the Treasury, if such were not their imperative duty; nor does it in any wise become the committee to evade the responsibility of exhibiting a candid statement of the condition of our finances, however onerous and unpalatable such an exhibit may be. By the subjoined statements and estimates it will be perceived, that a deficiency exists in the Treasury to the amount of about eighty five thousand dollars. This deficit is brought about by the taxes of 1841, being principally paid in Treasury Notes, (and the tax of 1842 will doubtless every dollar be paid in the same kind of funds.) The amount of which the committee in the discharge of their duty find to be of the following description and amounts. These Treasury Notes have all been mutilated, and would have been entirely destroyed, but for the fact that a large proportion of them have not been cancelled upon the register, but will be burned according to law so soon as they can be cancelled.

Scrip of various kinds mutilated by the committee:

1. A lot of internal improvement Treasury notes, principal charged at	$332,390 00
Interest thereon allowed	27,319 00

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[1] *House Journal,* 1842-43, pp. 499-504.

2. A lot of the same exchanged for Illinois paper, and interest thereon	15,790 00
3. A lot of the same received from the Wabash and Erie Canal, east of Tippecanoe	4,725 00
4. A lot of five per cent. scrip redeemed at Sinking fund	46,350 00
Interest charged thereon	315 76
5. A lot of Wabash and Erie Canal scrip, east of Tippecanoe river	33,452 11
Interest thereon	2,913 41
6. A lot of Wabash and Erie Canal scrip, west of Tippecanoe	29,255 00
	$492,510 28

The committee have also counted and mutilated $41,250 of Treasury Notes, received in exchange by the Treasurer for ¼ per cent. Scrip. Also, $5,600 of Treasury Notes, which with $401 33 interest thereon, were exchanged for seven per cent. bonds.

Sum total mutilated by the committee, $539,761 61.

The manner in which these various kinds of Scrip were mutilated, was by punching two holes through each of the small bills about half an inch in diameter, and three holes of the same size, through the fifty dollars bills.

In estimating the sum total of Indiana's indebtedness, including both foreign and domestic liabilities, there is one fact presents itself that speaks volumes in favor of the resources of the State, and gives indubitable evidence of an inherent recuperative power to assume her solvent position by freeing herself from indebtedness, (see Treasurer's report . . .) which shows that notwithstanding the extensive embarrassment of the State; her want of a circulating medium; the depressed state of all the markets presented for the products of her citizens, and the general distress which pervades every part of her territory, with an annual interest accruing against her of more than half a million of dollars; yet it will be found that Indiana, on the first of January, 1843, owed a half million of dollars less than she did in January, 1842, as will appear by the following exhibit. The committee have not thought it necessary to present a detailed statement of our foreign liabilities, number of bonds outstanding, &c.; such details would swell this report to an unusual length, and all these details are fully set forth in the report of the Auditor of Public Accounts, and Agent of State, to which the committee begs leave, respectfully to refer the House.

The annual interest on the public debt, unprovided for, is stated in the Auditor's report . . . at $522,270 00.[2]

By means of the Lawrenceburgh and Indianapolis Railroad Company, State bonds and coupons have been paid amounting to, (see Treasurer's report . . .)	$ 179,982 00[3]
Redeemed by N. Noble, Fund Commissioner, and filed in Treasurer's office, bonds, (see Treasurer's report . . .)	209,000 00[4]
Redeemed by M. G. Bright, State Agent, (see his report . . .)	110,000 00[5]
Interest on State Bonds retained by the United States	13,975 00[6]
Six per cent. Bonds redeemed by application surplus dividends of bank stock	35,707 00
Making in all	$ 548,564 00
To which add the sum of Treasury Notes mutilated at the Treasurer's office	492,510 28
Whole amount paid by Indiana of her debt within the last year	$1,041,074 28

The committee in making up the estimates for the year 1843, have had some reference to reduction of fees and salaries generally throughout the State;[7] though the estimates for said year are sufficiently large to meet the economical current expenses, if no reduction should be made. In calling the attention of the House to the necessity of such reduction, it is the duty of the committee to give some reasonable data for suggesting such change. It will be recollected that the rates of fees and salaries as they now stand, including pay to members of the Legislature, were most of them raised to their present standard in the year 1838, when produce and all the necessities of life were bringing in the market not less than double their present price. *Then* all officers, Executive, Legislative, and Judicial, in the employ of the State, could save no more from their salaries when so raised than they now can, after a reasonable reduction of their present pay. And the farmers of the State, from whom the principal support of the State officers must come, are now receiving not more, on an average, than one half for all the products of their farms, than they then received. So that it would seem but justice to the great body of the people, that the tax imposed upon them for the support of their State government, should be so reduced as to comport to some extent with the distress of the country, the scarcity of money, and the general inability to meet the demands of even an economical assessment. If the fees of officers in subordinate stations are reduced in a ratio corresponding to the salaries of officers of a higher grade, it will at least indirectly relieve many of our citizens from the onerous burdens now imposed upon them in the way of costs and fees, and no injustice can accrue to the office holder, because 50 cents in fees now is worth quite as much in the purchase of all the necessaries of life as one dollar was five years ago. Justice to our constituents, and justice to their burdens, dictate in the opinion of your committee, in the most unequivocal manner, that a reduction should be made in every instance, where the public service and a due administration of the laws will permit.

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[2] *Documentary Journal,* 1842-43. House Doc. No. 4, p. 85.

[3] See above, 454.

[4] See above, 455.

[5] See above, 578.

[6] See above, 458.

In view of all the facts, the committee have not thought proper to increase the annual tax, as levied by the law of last year; but have herewith reported a bill to apportion five cents for the current expenses of the fiscal year, and fifteen cents for the redemption of Treasury Notes.[8] The amount estimated for the expenses of the current year have been stated by the Auditor at $114,200 00. The committee think that the items of Public Printing, Stationary, and Legislative expenses may be so reduced, that the whole expenditures may be brought to about $104,200 00, as follows:[9]

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[7] Various measures to reduce salaries and fees of state officials were considered but no action was taken. See, for example, *Senate Journal,* 1842-43, p. 603, and House Bill 476 in *House Journal,* index to bills. A bill was passed at the following session to reduce salaries.

Public Printing	$ 12,000 00
Distributing Laws and Journals	700 00
Stationary for General Assembly and Public Officers	6,000 00
General Assembly	35,000 00
Executive	6,100 00
Prosecutors	1,700 00
Judiciary	15,500 00
Probate	4,500 00
Militia	200 00
State House	3,000 00
State Library	700 00
Transportation of Convicts	1,800 00
New State Prison	10,000 00
Specific	6,000 00
Contingent	1,000 00
	$104,200 00
Outstanding balances of last year	24,000 00
	$128,200 00

To meet this expense, a tax of five cents on the one hundred dollars, and the ordinary poll tax, will be sufficient in amount; but payable, as it is, in Treasury Notes, it will not be available for the purpose; and it is therefore proposed to rely on the following items to meet the current expenses of the year:

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[8] See 462n, above, for revenue act passed by the Assembly.

[9] See estimates submitted by the treasurer above, 456-57.

1.	The amount received from the United States, on account of the distribution of the proceeds of the public lands	$ 12,902 66
	Two per cent. premium received by the Treasurer on draft for the above	258 05
2.	Amount of Three per cent. fund due from the State for 1841 and '42, deducting therefrom enough to pay the counties for arrears of 1840	6,780 15
3.	Amount of common school fund levied from Bank tax of 12½ on a share remaining now in Bank	14,010 77
4.	Twenty per cent. on $437,450 of bank stock, proposed to be cancelled, to be paid in good funds	87,490 00
		$121,441 63
	Claims that will likely remain unaudited at the close of the current year	12,000 00
		$133,441 63

To give the Treasury control over the three per cent. fund, bank tax fund, and cancelling certain stock in the State Bank, owned by the State, as proposed above, the committee herewith report bills.[10]

The following was found to be the state of the Treasury as appears by the examination of the committee up to 1st of January, 1843.

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[10] The Assembly reversed the committee's proposal in regard to the use of the Three Per Cent and Bank Tax funds and passed an act providing that so much of the Three Per Cent Fund and of money derived from tax on bank stock as had been expended for general purposes, be refunded to the proper counties, with 6 per cent interest to be paid out of money remaining in the state treasury after payment of expenditures of 1843. *Laws of Indiana,* 1842-43 (general), p. 99.

The Assembly also passed an act for reduction of state and individual stock in the Bank (House Bill 318) as recommended by the committee with considerable amendment. *Ibid.,* 53-55. See Agent's Report on State Bank above, 538-39, and note and report of House committee on the Bank, below, 611-12.

Cash in Scrip mutilated by Committee	$539,761	61
Amount of quarter per cent. Scrip	28,750	00
Wabash and Erie Canal Scrip, west of Tippecanoe	30,150	00
Wabash and Erie Canal Scrip, east of Tippecanoe	1,340	00
Outstanding warrants	2,711	25
Warrants paid since 1st of January	3,389	00
Advances to members	8,782	26
Advances on Internal Improvement	16,725	54
Advances to officers, and for stationary	12,053	00
Balances in Branch Banks	6,593	25
Cash on hand	5,008	42
Total amount of funds on hand	$655,264	33

Amount charged up against the Treasury by Auditor up to January 1st, 1843, see estimate herewith submitted, no. 1 ....$655,264 33

The committee herewith submit sundry estimates[11] and tables, founded upon information derived from Auditor and Treasurer.

No. 1, is a statement of the receipts and expenditures at the Treasury, from the 1st of January, 1842, to the 1st of January, 1843.

No. 2, is an estimate of the means and liabilities for 1843.

No. 3, is an estimate of the means and liabilities for the year 1844.

No. 4, is an estimate of per cent. necessary to redeem all Scrip within three years, and the liabilities are again given predicated upon the principle of so redeeming all such outstanding Scrip. It will be observed that this calculation includes the five per cent. Bank Scrip, which there is no immediate obligation on the State to redeem; and that there is some discrepancy between the estimates of the Auditor and Treasurer, as to the amount of Treasury Notes that will remain in circulation after the first of March next.

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[11] These estimates are printed in the *House Journal* with the committee report, but have not been reproduced here.

No. 5, is an estimate for redemption of Treasury Notes above, in three years. This estimate, as well as some others herewith submitted, were made up before the passage of the law making scrip receivable for all state and county dues, so that it is expected that a very considerable amount of this circulation will be absorbed by the provisions of this law. It is also necessary to observe that this estimate, and the one which precedes it, have both been predicated upon the supposition, that a re-issue of Treasury Notes to the amount of 89,070 dollars would annually be required for this, and the succeeding three or four years.

No. 6, is an estimate of the length of time it will require to redeem the Treasury Notes, if 20 cents on the 100 dollars valuation is set apart for that purpose. This estimate might well be subjected to the same modification as suggested above.

W. B. Mitchell to Editor Goshen *Democrat*[1]

SENATE CHAMBER Jan. 26, 1843

DR. ELLIS—SIR: The election for U. States Senator is over, and the excitement produced by it has not yet subsided. On the first five ballotings every Democrat except Mr. Hoover of Wayne, voted for Gen. Howard, the Whigs going in solid column for O. H. Smith. It was evident that without changing candidates, no election could take place, or if we did elect, Mr. Smith would succeed. Mr. Hoover had voted for Smith, and Mr. Kelso for Hannegan, and as Hoover had discharged his pledges to his Whig constituents, except that he could not vote for Gen. Howard—the Democrats therefore changed over for Hannegan, and, Hoover and Kelso uniting with them, he was elected by one vote. The excitement was intense, and Mr. Kelso received the most violent abuse. An attempt was made to burn him in effigy, but the Democrats interfered and carried off the effigy and tore it to pieces in the street. On last night an effigy was hanged on a locust tree in front of the Post Office, with a label in large letters

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[1] Goshen *Democrat,* February 9, 1843.

"ARNOLD THE TRAITOR." The City is in a complete hubbub this morning, and violence may be expected.[2]

Walpole's "liberal principles" have all oozed out;[3] and although he is more indebted to Kelso for his present distinction than to any other man, yet on yesterday he applied the most abusive epithets. But in a game of that kind, Kelso is more than a match for him.

The several applications for dams on the Elkhart River, have been referred to the Judiciary Committee, who appear to entertain the opinion that the Legislature have no power to legislate on the subject, and that any law to legalize the erection of such obstructions, would be totally inoperative.

A Bill has been introduced exempting $500 worth of improvements from taxation for county purposes; the provisions of the bill extends to Elkhart, Kosciusko, Whitley, and some other Northern counties.[4]

The Legislature will adjourn on the 13th February.

In haste yours,

W. B. Mitchell

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[2] See above, 596-97n.

[3] Thomas D. Walpole, senator from Hancock and Madison counties, was president of the Senate.

[4] As enacted the bill provided that in the counties of Noble, La Grange, Steuben, and DeKalb, any improvement made for agricultural purposes to the value of $500 was exempt from taxation for local purposes. *Laws of Indiana,* 1842-43 (general), p. 95. The passage of this and similar bills led the editor of the Rushville *Whig* to condemn the legislators for the amount of time spent on local legislation; he estimated that half of the session had been wasted in the passage of local laws for ten counties. Legislators were riding their own private hobbies. "The great desire seems to be to manufacture capital for next summer's campaign." Rushville *Whig,* January 20, 1843.

Report of House Committee on the State Bank[1]

[January 27, 1843]

MR. SPEAKER:

The Committee on the State Bank, to which the House has referred so much of the Governor's message as relates to the State Bank;[2]

The report of N. B. Palmer, the Agent appointed to examine said Bank and its Branches;[3]

The reports from the Branch Banks;[4]

A Resolution of inquiry into the expediency of amending the charter of the State Bank, so as to authorize the several Branches to receive, in payment of their debts, the stock of individual stockholders;

A Resolution of inquiry, whether the interest of the State do not require some provision to take up Sinking Fund Treasury Notes, by relinquishing to the Bank the Surplus Revenue Bank Stock; and

A Resolution of inquiry into the expediency of repealing the 30th section of the second amendment of the said charter, excepting from the repeal such Branches as have been established under the same—of repealing the act to create a 17th Branch district; and, of authorizing the directors of the State Bank to close any of the Branches thereof, now in operation;

And of amending the charter of said Bank, so that no person who does not meet the regular calls of the Bank on his paper, shall be eligible to any office in the State Bank or Branches,—have had the several subjects under consideration, and respectfully Report That they find the Report of the President of the State Bank, and the statements of its Branches, to exhibit the institution in a condition to meet its liabilities, without danger of being again driven to the disreputable state of suspension of specie payments, with which it was formerly reproached. They represent an unimpaired capital, and 144,424 dollars of surplus fund, after deducting all losses, which are set down at 140,582 dollars, besides 96,378 dollars, considered doubtful; and give a positive, and encouraging assurance that specie payments will be maintained. Supposing these statements free from error or misapprehension, still your committee is not confident that the Bank can soon resume a very active business with safety, unless by great prudence and economy, and by a very considerable curtailment of dividends.

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[1] *House Journal,* 1842-43, pp. 543-46. Members of the committee were: Ethan Allen Brown, John S. Simonson, John Chrisman, Aquilla Jones, Nathanial Moore, Democrats; Newton Claypool and Septer Patrick, Whigs.

[2] See above, 503-5.

[3] See above, 527-59.

[4] *Documentary Journal,* 1842-43, House Doc. No. 18.

The President's apprehension, that the present execution laws will be a great check upon banking business, appears to be well founded. The Bank must find difficulty in using its credit to any great extent, with safety and advantage, while compelled to pay its notes on demand, and at the same time be unabled to collect without a delay, too long for this sort of business; but, as the laws referred to, appear to be the settled policy of this General Assembly, in regard to this matter, the committee forbear to expatiate on the subject.[5]

The Report informs us that the profits of the Bank were equal to an average of 12 per cent. per annum, during the first six years of its existence; but the committee fears that these large profits were obtained at too much hazard to continue. While they admit that, under some circumstances, a bank may be able to make extraordinary dividends, they have the President's admission of loans, too long, too large, and to favorites, made at an early period of the Bank's operations; which accounts, in some measure, for the embarrassment under which it suspended specie payments. How far a necessity for extending further indulgence to debtors of this kind, if any such remain, (as the committee suspect,) may operate to prevent the Bank from doing that amount of business which its capital would otherwise authorize, the committee has not the means to judge. Independently of these considerations, there are various causes that the committee believe render a contraction of business proper, in respect to safety; of which the great amount of private debts is conspicuous. A considerable diminution of the revenues of the establishment must be the necessary consequence, for some time to come.

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[5] For President Merrill's comments on the difficulties of making collections of debts under the "relief" laws, see above, 513-14.

The preceding Assembly had passed an act granting additional stay of execution of twelve months to a debtor when payment was ordered to be made in specie and paper bankable in Indiana was refused. The act carried the proviso that the Bank or any insurance company should not be entitled to the benefit of this act. *Laws of Indiana,* 1841-42 (general), p. 67. The present Assembly passed an act requiring "the Bank to continue specie payments, and to enable it to maintain them." *Ibid.,* 1842-43 (general), pp. 52-53. It provided that whenever any judgment was rendered against the Bank there should be no stay of execution or valuation of property. A stay of six months was allowed on judgments in favor of the Bank with certain provisos. The preceding Assembly had also passed two acts granting relief to borrowers of the Sinking Fund and other state funds and reducing the interest thereon. *Ibid.,* 1841-42 (general), pp. 88-90.

There is a material difference in some important particulars, between the Reports of the President, and the Examining Agent of the State. Among their resources, to meet liabilities, the Branches state a large amount of notes of other Banks; on these the Agent represents a loss, not accounted for, of $35,621 45. The President estimates the depreciation of Banking Houses and real estate, at $15,819; the Agent considers the loss on these equal to $61,638 83—nearly four times that amount. The President admits that losses from the beginning have been incurred, equal to 140,582 dollars, or equal to 236,960 dollars, if 96,378 dollars, reported doubtful, be included. It is presumed that he meant, the loss by defalcations of cashiers, 11,850 dollars, should be included in the above. The Agent, in addition, estimates the loss on notes and bills discounted, as amounting to $533,083 33; being a total of loss, exclusive of defalcations of cashiers, $630,343 61. Making the difference in their statements of losses, $363,383 61; or a difference of $375,233 61, if the default of cashiers be not embraced in the statement of the President.

These gentlemen also differ widely in another item. The President informs the House that the suspended debt amounts to $406,122 67. The Agent states from inspection, $357,550 42, of notes and bills under protest; and $344,976 47, of notes and bills in suit; in all $702,526 89. The difference between them being $296,404 22. The House will please to observe that the sum of $702,526 89 above mentioned, is the sum according to the report of the Agent, after deducting on account of depreciation, $252,274 07 from the whole amount of notes protested and in suit. The total difference, therefore, under this head is $548,122 67. The committee suppose the President and Agent may entertain views variant from each other, of the items that ought to be classed under the head of the suspended debt, but incline to the opinion that protest and suit would have warranted the President in increasing the suspension account by the amount of the difference above mentioned.

There is also a wide discrepancy between the two reports, as regards the integrity of the capital stock. The variance consists principally in the estimates the Agent puts upon the notes and bills held by the Branches, below their nominal value, the depreciation of property, and losses by the failure of other banks, and the depreciation of their notes.

The Agent's report bears the appearance of fairness and candor. It is as minute and circumstantial as could well be required; and trust in the correctness of his statements and estimates must depend upon his character, his knowledge of business, his aptitude for investigation, his industry, his acquaintance with the state of the times, with the value and price of property, and, perhaps, in some instances, with the circumstances of parties indebted to the Branch Banks. Considering the great changes which took place when the bubble of speculation exploded in 1837, your committee feel persuaded that the debts due to the Bank, taken collectively, cannot be worth the full amount at which they are set down in the Branch statements, and see no reason to suspect the discounts, estimated by the Agent, to be exaggerated: Especially as the committee, aware of the difficulty of collecting debts of long standing, and in want of information to the contrary, is apprehensive that the large amount of Bank notes withdrawn from circulation, during the last year, may have been received in payment of active and short business paper, to a greater amount than for debts contracted long ago, however disguised by renewals.

It may be worthy of remark, that however different the estimation of losses and depreciation by the President and Agent, they seem quite agreed as to the causes which have produced them.

It was evidently expected by the Legislature, and probably by the Bank itself, that the Treasury Notes paid to the latter under the act of last session, in liquidation of its claims for moneys advanced to the canal commissioners, would aid the bank in discounting—that these notes would be paid out in that line of business and received back in discharge of the notes so discounted. Such, however, has not been the result; for good reasons explained by the President. In the few cases in which it has been attempted, it is believed to have been the occasion of more embarrassment than relief. Excepting $46,285 redeemed, and $22,975 in circulation, ($1000 of which has been emitted at Evansville since the visit of the Examining Agent,) the whole sum is represented as remaining in the Branches, unavailable for banking purposes. The committee has been lead to believe, but without information strictly authentic, that a part of these notes, now abroad, have found their way into circulation by indirect means.

The committee have seriously considered the suggestion of the President concerning a reduction of the bank stock, and adopt the idea, with considerable amplification. They recommend that the State surrender all its stock in the Bank, excepting and reserving its original investment, $880,000, in exchange for an equal amount of State bonds issued in anticipation of a fourth instalment of surplus revenue of the United States, and of surplus revenue treasury notes; the manner whereof is provided in a bill for this object now before this House. The same bill proposes to extend the same process of reduction to stock owned by the State in such Branches as the board of directors may see fit to close; the proceeding may relieve both the Bank and the State—the former from that excess of its capital which cannot be profitably employed; and the latter from considerable responsibility.

The committee have also followed up the suggestion of the President of the Bank, respecting a further reduction of the capital, by permitting the relinquishment of private stock in payment of desperate and very doubtful debts, upon terms equitable to the debtors and the other stockholders. The committee is well aware of the danger of the precedent, unless most cautiously guarded; and, accordingly, have endeavored to obtain the object of security to creditors of the Bank—stockholders as well as others; and prevent abuse. The bill before mentioned provides for this object.[6]

They have also adopted the judicious advice of the President, by proposing to exclude debtors who furnish no security but their stock, from voting for directors; all the interest of debtors, in such cases, being adverse to that of the Bank. It has also been thought prudent to place the directors of the State Bank in an attitude superior to the temptation of incurring debts to the Branches, by prohibiting such indebtedness; and to limit the amount for which any other director may become liable or indebted to the institution as principal or as surety.[7]

The repeal of so much of the 30th section of the second amendment of the charter of the Bank, as shall prevent the erection of three of the Branches therein permitted to be established, and not to effect the thirteenth Branch; and, also, the repeal of the act to create a seventeenth Branch Bank District, have been thought advisable by the committee.[8]

The President of the Bank has given the House an exposition somewhat gratuitous, of the views entertained by "the advocates of a paper currency, founded on a specie basis." This expose consists of a series of positions in the form of maxims, that govern that school, adverse to a metallic currency, and in favor of bank notes for circulation. The whole being unaccompanied by argument or illustration. Some of these strange assumptions are bold as well as novel. Among a number of surprising tenents, they hold specie dangerous as a currency; that 5,000,000 dollars of specie would do less service than 2,500,000 dollars founded on 1,250,000 dollars of specie; that a specie currency alone, is equally liable with bank paper to the dangers incident to a contracting and expanding currency, and that the "evils" of a specie currency alone, will fall with oppressive weight in this State.

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[6] Actually it was in the Agent's report rather than in the President's that these recommendations for stock reduction were made. See above, 538-39. By the act passed by the Assembly to provide for the reduction of state and individual stock in the Bank (*Laws of Indiana,* 1842-43 [general], pp. 53-55), the state treasurer was authorized to cancel $437,450 worth of stock held by the state in the Bank, thus reducing the state's amount to the amount in the original bank charter. The stock surrendered was to be paid for in the branch bank in which it was held, one fifth in bankable funds and the residue in 6 per cent bonds issued for the fourth installment of surplus revenue or the 5 per cent treasury notes. The residue of stock was to be divided among the branches so that no branch would have less than fifty thousand dollars' worth. Provisions were also made for the surrender of stock by individual stockholders who were indebted to the bank.

[7] This action had also been recommended by the Agent. See above, 543-44n, for action of the Assembly.

[8] The Assembly complied with these recommendations. *Laws of Indiana,* 1842-43 (general), p. 57.

Your committe would have submitted a commentary upon the principles advanced in this passage of the report, (which, they are disposed to believe, will not meet with general acquiescence) but it appears to them, that a proper treatment of the *subjects* embraced, would, necessarily run into so great length, as to become too voluminous for this report, and accordingly confine themselves to a strong and unqualified dissent from most of the doctrines advanced by the President on behalf of the advocates of paper money. . . .[9]

Bigger to the Speaker of the House of Representatives[1]

EXECUTIVE DEPARTMENT,
February 1st, 1843

HON. T. J. HENLEY, Speaker of the House of Representatives:

SIR:—I herewith transmit sundry resolutions of the Legislature of Illinois on the subject of General Jackson's fine imposed upon him by Judge Hall,[2] with a request that you lay the same before the House of Representatives.

I am, sir, Yours most respectfully, SAM. BIGGER

[9] See above, 514-15.

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[1] *House Journal,* 1842-43, p. 615.

[2] These resolutions reflect the movement to have refunded the fine of $1,000 imposed on Andrew Jackson by Judge Hall of the United States District Court of Louisiana in 1815 for contempt of court in refusing to obey a writ of habeas corpus issued by the judge for the release of a Frenchman of New Orleans who had published in the city papers a

Bigger to the Speaker of the House of Representatives[1]

EXECUTIVE DEPARTMENT,
February 1st, 1843

HON. T. J. HENLEY, Speaker of the House of Representatives:

The accompanying communication has been received from American holders of our bonds,[2] to be laid before the Legislature.

I am, sir, Yours most respectfully,

SAM BIGGER
[January, 1843]

[Enclosure][3]

TO THE HONORABLE THE SENATE AND HOUSE OF REPRESENTATIVES of the State of Indiana.

The subscribers respectfully represent, that they, and many others, are owners of bonds of the State of Indiana, on which the interest due for two years past remains unpaid, occasioning great inconvenience and loss: many widows, orphans, and aged persons, have, by their own or their guardians' prudent care, as was then judged, had their whole means of support invested in these *supposed* securities, bearing a very low rate of interest, in preference to other subjects of investment bearing a higher rate of interest, because of the known ability, and the presumed inviolability of the honor of your State; some of the memorialists represent large amounts of these bonds held in trust for charitable

communication intended to incite opposition to the United States. Jackson had occupied New Orleans and proclaimed a state of martial law. The matter was purely a political issue but the Assembly spent considerable time on it without taking any action. At the following session a joint resolution was passed requesting Indiana's representatives and instructing her senators to use their efforts to procure passage of a law refunding the fine. *House Journal,* 1842-43, pp. 677-78; *Laws of Indiana,* 1843-44 (local), p. 172.

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[1] *House Journal,* 1842-43, p. 615.

[2] Silas Wood, of New York, wrote to Governor Bigger on August 15, 1843, asking if this communication or a similar one had been transmitted to the legislature, and urging action on the same to relieve the bondholders. *Documentary Journal,* 1843-44, House Doc. No. 18, p. 397.

[3] From a copy printed in *Documentary Journal,* 1843-44, House Doc. No. 18, pp. 394-96. For the report of the ways and means committee on this communication see below, 624-27.

purposes, which cost largely over par;—confidence was reposed in the faith pledged by your State, in the same degree that the pledge itself was divested of legal enforcement; that this confidence in the honor of the State was universal, was shown by the fact that the five per cent. bonds issued by it, almost invariably bore a higher price than the six per cent. bonds of the adjoining States.

It was not till very recently believed possible that any one of the sovereign States of this Union *could* or *would* hesitate a moment in preserving, to its utmost ability, the integrity which it had thus pledged, and the whole world witnessed with *infinite* surprise the rising of the last session of your Legislature, not only without providing for any part of the interest due, but actually repealing or reducing the amount of taxes which had by a previous session been appropriated for the purpose of paying the interest due from the State.

The defalcations in the payment of interest have occasioned indescribable suffering to thousands of the creditors of your State; many have been compelled to sell their bonds at the most enormous sacrifice to raise small sums of money, and some have been driven to subsist on charity.

We have deferred presenting this memorial of our grievance to this late period, that we might see what recommendation would flow from your Chief Magistrate on the subject, at the opening of your present session. We cannot too highly commend the sentiments he expresses with regard to the pledges of faith made by the State, and also the felicitous manner in which he compares public duty and obligations with the sanctity of individual engagements, and we would respectfully ask of him to carry out the comparison, and show what would be the public sentiment respecting that person or association who, because they found it inconvenient or impracticable to pay the *whole* of their obligations, should refuse to pay any part thereof, or, finding that the income from their estates would not pay the interest on the mortgages upon them, should decline to pay *any* part, and actually neglect to collect, or should dissipate a part of the revenue, instead of appropriating it to the payment of the interest so far as it would go, and for the current time.

If such individuals or associations were, by some peculiar prerogative, placed above and beyond the power of law, and their creditors, like many of the creditors of your State, consisted of the widow, the orphan, and the aged of the land, who by a high profession of morals and honor of the debtors, had been induced to invest all their means of support in such obligations, the defalcations of the debtors could not otherwise than be reproached in the severest terms by the united voice of the just and virtuous.

Such censure and condemnation will be applicable to every State in the Union which does not provide to the utmost of its ability for its engagements; and there is not one of them that cannot as readily pay the whole annual interest due from it as can the inhabitants of this city pay their taxes, which this year amount to rising eighty-four cents on each one hundred dollars of the assessed value of real and personal estate.

If, however, any one of the States should think the burden greater than can easily be borne at the present time, it would redound much to its credit, and go far towards satisfying the wretched and impoverished creditor, if he saw even half of it cheerfully meted out to him as it became due, with the assurance of the residue at some future period.

We are aware, from your Governor's message, that there is a description of debt afloat in your State, which is by law receivable in taxes, and that *it* serves to prevent collections for the payment of interest, until it is absorbed, or legally set aside, to receive only its pro rata dividend with other creditors.

Applying then, in behalf of your State, in this, as in other cases alluded to by your Governor, the rule which in honor and justice should guide individuals who have become embarrassed, we would respectfully suggest, that the State should fund the Treasury Notes, and pay interest on the debt so funded, at the same time and in the same ratio that is paid on other debts of the State. In equity and justice every creditor should be placed on the same footing.

In this mode, there cannot be a doubt but the interest on your whole debt can be annually discharged, and by it an advantage derived to the State in credit, and in prosperous pursuits, which cannot be experienced without it.

On behalf of your suffering creditors we earnestly pray for immediate relief.

January, 1843.

Signed by JNO. WARD & CO.,
. . . . [*et al.*]

John Jackson to Editor Goshen *Democrat*[1]

INDIANAPOLIS, Feb. 2, 1843

SIR—Since my last letter, the Legislature have progressed rapidly with its business, and I presume now we shall get through by the time agreed upon for adjournment, [13th inst.] The House is considerably before the Senate with their business. The Execution Bill is still before the Senate, it was acted upon yesterday, some amendments were made but I presume it will pass the Senate with slight amendments. The Bill to divide the State into Congressional districts passed the Senate with several amendments—said amendments make each district as nearly Whig as can be made, and have the counties contiguous, which amendments were made by a strict party vote—it did not effect our northern districts—it was returned yesterday to the House for concurrence. We refused to concur in every amendment by more than a party vote. Committees of free conference are appointed, Parker and Defrees of the Senate, and Robinson & Simonson of the House. There is no probability that they will agree, consequently it will fall between the two houses. If so, a new bill will originate in the House, similar to the one I proposed, and which was prevented from a vote of the House by the previous question. I have still a hope that, should any Bill pass, our northern districts will be more honestly laid off. I think our prospects are better at this time than before the bill passed the House; yet I have doubts whether any districting Bill will pass this session. Since the U. S.

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[1] Goshen *Democrat,* February 16, 1843.

Senater's election, the Whigs have become outrageous, and swear that since we have by the treachery of Kelso, elected our Senator, they intend to district the State so that they will elect 8 out of 10 Representatives. The party spirit is aroused, and I expect no compromise can be effected this session.[2]

A Bill has passed the House authorising 2,000 copies of the laws to be printed in the German language—it passed the House by a large majority—can't tell its fate in the Senate.[3] A Bill has passed the House authorising persons (with certain restrictions) to build mill dams across Elkhart River. This Bill was got up on the petition of the Messrs. Hawks'. The committee to whom the petition was referred, thought best to make it a general law.[4]

I introduced a Bill to improve the Fort Wayne State Road—it provides that all monies paid into the county Treasury by nonresident land holders for Road purposes, shall be expended in improving said road, the voters in the several townships giving their assent or dissent at the April election. The necessity of improving that road, is obvious to every one of our citizens, as the Wabash and Erie canal is now finished to Lake Erie, and consequently our trade will be diverted from Lake Michigan to Fort Wayne.—Similar measures are adopted to improve the road through Noble and Allen counties.[5]

A Bill introduced by me, some time since, in virtue of the petition sent from our county, to authorize the county board to equalize county assessment, was amended in the House so as to provide that such equalization shall not reduce the general list returned from said county. It has passed the House and gone to the Senate.[6]

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[2] See above, 562n. In the August elections in 1843, Democrats were elected in eight of the ten Congressional districts.

[3] The bill as enacted authorized the printing of two thousand copies of the *Revised Laws* in German on the condition that subscriptions for half that number were received by the secretary of state. *Laws of Indiana,* 1842-43 (general), p. 96. No German edition was issued; ten years later the 1852 Revision was printed in German.

[4] *Laws of Indiana,* 1842-43 (local), p. 165.

[5] H. B. 298 to improve the Fort Wayne and South Bend State Road in Elkhart County was introduced by Jackson on January 23. *House Journal,* 1842-43, pp. 479, 599. It passed the House but the Senate took no action on it.

I Remain Yours.

JOHN JACKSON

David Hoover to Charles H. Test[1]

SENATE CHAMBER Feby 3rd 1843

RESPECTED FRIEND CHARLEY

It was with pleasure that I received a line from you this morning and what enhanced the pleasure was the friendly manner in which it was written

In the Election of U. S. [Senator] I may have done wrong but both parties here will bear me out in saying that they were not deceived, as to my course on that subject, as it was stated in one of their caucuses that I did not expect to vote for Smith more than twice. The fact is it was at all times admited and by both parties, that if Either Smith or Howard could be Elected at all, it would be on the first or second Ballot[2]

The Whigs are to blame themselves for their defeat they had the power to pospone the Election but instead of doing so they called up the resolution which was sleeping on our table and at a time when a number of them knew and in fact said that they were bound to be beat. in conversation with Aker the evening before the Election he observed that defeat was certain and that he would be willing to bet one thousand dollars that Hannegan would be Elected— One other fact One of the Whigs which I could name came to me immediately after the election was over and insisted on my going to Hannegan for the purpose of making an apology for him in not voting for Hannegan which I accordingly did do, and I learn several other Whigs were prepared to do the same on the

[6] As enacted the bill authorized the commissioners of Elkhart, Kosciusko, and Whitley counties to equalize the appraisement of real estate in those counties; they could not reduce the valuation. *Laws of Indiana,* 1842-43 (general), p. 77.

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[1] Charles H. Test Papers in Lilly Library, Indiana University, Bloomington, Indiana. Printed with the permission of the Library.

[2] See above, 596-97n.

next ballot— I at all times insisted on not going into the Election at this session which I yet think would have been the better plan but so it is and now I have to bear a large share in the defeat of Smith. In conversation with Barnet[3] the lying Editor of the Journal after heaping on me every abusive epithet which he could find in the English language He acknowledged that he knew that defeat was certain and that they must account for it in the way they have done

. . . We are beginning to look towards home with a good deal of anxiety and are cutting up business in stile— We yesterday passed a most glorious relief law which will most effectually prevent the collection of debts forever. Both political parties are trying to see which can make the most pollitical capital by passing what we here call *relief* laws.[4] To say all in a word, I do think that there never was a more disorganized rascally set of men at Indianapolis before and I trust never will be again

Yours in haste DAVID HOOVER

C H TEST Esq

P. S. You must excuse this scrawl as it was written amidst the confusion at all times going on in the Senate.

[Addressed:] Charles H Test Centreville Wayne County Ia

Report of House Committee on the State Prison[1]

[February 3, 1843]

MR. SPEAKER: The committee on the affairs of the State Prison, to whom was referred that part of the Governor's message which relates to the State Prison, a communication from His Excellency, on the subject of the purchase of a site for the new prison, a copy of the contract entered into for its erection, and the reports of the superintendents, visiter and clerk of the prison, have considered the same, and directed me to Report, That they are satisfied that His Excellency has faithfully and judiciously ac-

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[3] Theodore J. Barnett, who was editor of the Indianapolis *Indiana Journal* at this time.

[4] *Laws of Indiana,* 1842-43 (general), pp. 15-19. See above, 361n.

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[1] *House Journal,* 1842-43, pp. 657-58.

quitted himself of the trust confided to him by the act of the 31st January, 1842, entitled "an act to amend the several acts for the regulation of the State Prison."

The committee consider the site of the new prison an eligible one, and the sum at which it was purchased a reasonable price, and that the plan of the prison is from the very best model.

The report of the visiter reflects great credit on the superintendents, the physician, and on all concerned in the administration of the present prison. It appears that the health and comfort of the convicts have received all that humane consideration and attention that the ill-devised circumstances of the prison, so imperiously demand, and would allow; and that while they are furnished with substantial and sufficient food and clothing, they are not overtasked in regard to labor. These things should, however, only be viewed as a slight mitigation of the enormous evils which must be borne by the inmates of such a *calcutta hole,* and should not, in the opinion of the committee, induce the relaxation of a single effort on the part of the State to push forward the completion of the new prison as speedily as can be done.

J. S. Simonson, Chairman

John Jackson to Editor Goshen *Democrat*[1]

Indianapolis, Feb. 8, 1843

Dear Sir,—Since my last, the Districting Bill has passed. The committee of free conference, appointed by the two branches of the Legislature, to take into consideration their disagreement, in the provisions of the Bill, effected a compromise by making a slight alteration from the Bill as it passed the House; it did not affect our Districts in the North. The House and Senate both, by large majorities, accepted the report of the committee, which makes it a law so soon as it is approved by the Governor. I feel more mortified in this matter, than in any other, transacted by the Legislature at this session. A more unfair division could scarcely have been made of the North end of the State. After the committee, to whom the subject was referred, had made their report in the

[1] Goshen *Democrat,* February 23, 1843.

manner they did, which dissatisfied every Democratic member in the two districts, except the gentleman who was on the committee, and indeed some of the Whig members were dissatisfied, we strove by all the means in our power, to defeat the bill in the House, but was prevented, by the previous question, from effecting any change. We were then in hopes that the Senate would knock it in the head; but nothing could be effected to give us any relief. We must, therefore, abide our fate.[2]

The Execution, or Relief bill has just passed both houses, as it will soon be published in the papers, I will not give its provisions, as it is lengthy.[3]

Mr. Bradley's Bill to incorporate the Michigan City and Laporte Rail Road Company, was acted upon in the Senate to-day —the committee on corporations, to whom it was referred, reported it back, and recommended its indefinite postponement, which report was concurred in by the Senate.

Yesterday, about 3 o'clock, the cry of fire was heard, a rush was made to the doors and windows. The speaker adjourned the House for half an hour—it was soon discovered that the Washington Hall, kept by Mr. Browning, was in flames. We all rushed to the rescue, and by continued exertions from that time till dark, the fire was extinguished. The building was seriously injured, furniture very much damaged, &c. The damage is estimated at $3,000; the weather was extremely cold, and the water froze almost instantly on coming to the air.

We are closing business as fast as possible; and it is thought we can get through with all the business before us this week.

The House is now in committee of the whole on revision. The act defining the duties of Justices of the Peace & Constables, being read. I have no time to write more at this time; I will write again Saturday evening. I am well.

Yours Truly,

JOHN JACKSON

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[2] See above, 562n.

[3] See above, 620n.

John Jackson to Editor Goshen *Democrat*[1]

Saturday evening Feb. 11

Sir—The legislative business is gone through; we have only to meet on Monday morning to adjourn. A law has just passed the Senate this evening, being a bill of the House, that provides that all debts contracted after the first day of June next, provided the debtor agrees in writing that he will NOT take the advantage of the stay laws, shall on judgments rendered against him on said agreement, have a stay of execution for 6 months, and upon execution being issued, there shall be no valuation of property.[2] This measure, whether for weal or for woe, I advocated, as I think it will be a means of stopping in a great measure that great evil 'credit.'

A Bill to reduce the pay of members of the Legislature to 2 dollars per day, and also all officers' salaries about 25 per cent, passed the House, by a large majority, but is not finally acted upon in the Senate, and will be finally lost, as there will be no quorum present on Monday morning. No other Bill of any considerable importance has passed since I wrote last. All the local matters that I was intrusted with, have been effected.

Yours, &c.

John Jackson

House Committee on State Prison: Reply to House Resolution[1]

[February 10, 1843]

Mr. Speaker: The committee on the affairs of the State Prison, to which was referred a resolution instructing them to enquire into the expediency of reporting a joint resolution appointing three members of this legislature, whose duty it shall be to

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[1] Goshen *Democrat,* February 23, 1843.

[2] This was Section 3 of the act "to require the Bank to continue specie payments, and to enable it to maintain them." *Laws of Indiana,* 1842-43 (general), p. 52.

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[1] *House Journal,* 1842-43, p. 761.

meet on a day to be named before the first day of November next at Jeffersonville, and examine into the condition of the State Prison and its affairs generally, and report to the next legislature, recommending the best mode to be adopted with regard to the buildings now being built, as well as the discipline to be observed in the future management of said prison, have had the same under consideration and directed me to report, that the plan and specifications for the erection of a new prison, have been before this committee and received their unanimous approval; that the report of the Visiter exhibits the internal police and discipline observed as good as could be expected under present circumstances, and that from the report of the Clerk and Superintendents, it appears that the building of the new prison is progressing with as much rapidity as the means on hand will permit.

The committee are unanimous in the opinion that a system should be adopted by which the future control and profits of the State Prison should belong exclusively to the State, and that such system may be devised before the expiration of the contract with the present superintendents, they recommend the adoption of the following resolution, and ask to be discharged:

Resolved, That His Excellency, the Governor, be requested to procure information in relation to the best mode for the management of a State Prison, and that he submit the same together with his views thereon to the next General Assembly. . . .[2]

House Ways and Means Committee: Reply to Bondholders[1]

[February 11, 1843]

MR. SPEAKER:

The committee of ways and means, to whom was referred the memorial of certain holders of Indiana State Bonds,[2] Report, That they have given the subject that careful consideration which its importance demands, and find very little in the aspect of our

[2] This resolution did not pass.

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[1] *House Journal,* 1842-43, pp. 799-801.

[2] See above, 614-17.

affairs calculated to relieve the anxiety of the memorialists. Unpleasant and painful to honorable minds must ever be the consciousness of a failure to meet honest engagements; yet we have to admit that promptitude has not characterized our transactions with our public creditors; nevertheless your committee believe that the idea of repudiating our indebtedness will never be entertained by the intelligent citizens of Indiana. This failure on the part of the State is owing to several facts, in connection with the same cause: We sold upwards of $3,000,000 of State bonds in eastern markets for which we have not received payment, and the failure on the part of our debtors left us no alternative in the settlement with contractors on the public works but to issue $1,500,000 of treasury notes, made receivable for all State dues. Until this amount shall be cancelled at the State Treasury, which at the present rate of taxation cannot be done in less than three years, an effectual barrier is interposed to the payment of any part of the interest on the public debt, except on that part created on account of bank stock. These failures and their consequent train of evils, your committee are unanimous in ascribing to the unsettled state of the currency with which the Union has for several years past been afflicted. To the unnatural expansion of the currency at the time our indebtedness was contracted, may be traced the spirit of over-trading and of reckless adventure so prevalent at that period. This wild spirit of speculation, together with the expectation of liberal aid from the General Government, by the deposite of surplus revenue and distribution of the proceeds of the public lands, seems to have taken the place of sober reason, in directing our councils in the inception and prosecution of our system of internal improvements. The shock produced by the reaction necessarily following such a diseased inflation of the currency has been severely felt. Much as we deplore its effects, we do not find the sole cause to exist in the action of the State Government. Until measures shall be adopted by the General Government calculated to furnish a sound circulating medium, we may in vain look for a restoration of public credit, and until then we can expect very little revenue from out public works or from any other source than direct taxation, which owing to the contraction of the currency and the low prices of produce, cannot be increased without oppressing our citizens. The public debt on account of which, no means are provided for the payment of interest, amounts according to the Auditor's report made to the present session of the General Assembly, to about twelve millions of dollars. From the report of the Agent of State, it is expected that something may be realized from our suspended debt, by means of which our present indebtedness may be reduced, and the money due on the sales of the canal lands, with the tolls and water rents accruing on the Wabash and Erie canal (now finished from Lafayette to Lake Erie) will tend materially to the same object. Dark as is the picture presented by this review of our condition, your committee find some consolation in the belief that notwithstanding the financial gloom with which our affairs are now enveloped, the natural resources of the country, aided by the moral and physical energies of our citizens, will eventually relieve the country from its present embarrassments. We are possessed of a soil luxuriantly fertile, of a salubrious climate, and of commercial and manufacturing privileges not surpassed by any of the western States; and notwithstanding the scarcity of money and the disadvantages above-mentioned, there has been a steady increase in the amount of permanent improvements and substantial wealth of the country; and the intention of our citizens to meet the public demands as soon as circumstances will permit, we do not doubt. A candid exposition of the state of our affairs was thought to be due to our public creditors; and if in it, they discover little prospect of soon receiving their dues, they will at least find that our want of punctuality has resulted from necessity and not from choice.

GEO. P. R. WILSON,
SAML. GOODENOW,
R. N. WILLIAMS

The undersigned dissent from so much of the foregoing report as relates to the expectation of aid from the General Government in prosecuting the public works, or sustaining the credit of the State.

The undersigned also dissent from so much of the foregoing report as relates to the action of the General Government in bringing about the disastrous results to the credit of the State, and as to the future action of the General Government restoring the credit of the State; as in the opinion of the undersigned the future good or bad standing of the credit of the State depends on the action of the State Government alone.

Perret Dufour,
Abraham Cuppy[2]

Bigger: Proclamation Organizing Wabash and Eel River Canal Company[1]

[October 14, 1843]

Whereas, notice was given by the undersigned Governor of the State of Indiana, in the Journal of Commerce, a paper printed in the city of New York, for one month of the intention of the State of Indiana, to let or sell her public works to Companies, pursuant to the provisions of an act entitled "An act to provide for the continuance of the construction of all or any part of the public works of this State by private Companies, and for abolishing the Board of Internal Improvements, and the offices of Fund Commissioner and Chief Engineer," approved January 28, 1842.

And whereas, pursuant to the provisions of the act aforesaid, William Wines, Johnson McWhinney, of the county of Vigo, and John Osborne, of the county of Clay, in said state of Indiana, were, after the first day of April, A. D. 1842, and after the publication of said notice in the New York Journal of Commerce for one month as aforesaid, duly appointed commissioners to receive subscriptions of stock for continuing the construction, and for the completion of the Western Division of the Cross Cut Canal, including the Eel river feeder and feeder dam and their appurtenances, and the arm at Terre Haute for hydraulic pur-

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[2] Wilson, Goodnow, and Williams were Whigs, and Dufour and Cuppy were Democrats. Two other members of the ways and means committee, John W. Davis and Alvan T. Whight, were Democrats.

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[1] Indianapolis *Indiana Journal,* November 8, 1843.

poses, on the application of three freeholders and citizens of this State:

And whereas, there has been this day deposited and filed in the office of the Secretary of State at Indianapolis, the copy of a statement made out by the Board of Directors of the Association, hereinafter designated in conjunction with the commissioners aforesaid, and certified under their hands, as a full and complete statement of all their respective actings and doings in the premises, which copy is duly certified under oath by the Secretary of said Board, from which it duly appears, that stock to the amount of ten thousand dollars in cash and upwards has been subscribed according to law as the capital of said association: and that on the 15th day of June, A. D. 1843, at an election held in the town of Terre Haute according to law, William Wines, John P. Usher, Hugh Stuart, Wm. J. Ball, Johnson McWhinney, John Stewart, Lucian Lemon, James S. Freeman, John W. Wines, James Blair, Henry Hall, William C. Moorehead, and Martin Wines, were chosen directors of said Association; and said Directors being thereupon notified of their said election by said Commissioners, met on the day and at the place last aforesaid, and organized by electing one of their number, James Blair, President of said Board, James S. Freeman Treasurer, and William D. Griswold Secretary: which Board of Directors being thus organized at their said meeting, agreed and ordered that the said Association should be known and called by the name of "Wabash and Eel river Canal Company."

Therefore, I, Samuel Bigger, Governor of the State of Indiana, being fully satisfied from all that has been done and acted in the premises, that the provisions of the act above referred to have been substantially complied with, and no other association, company, individual or individuals having made application to continue the construction of said Public Work, the same forming a continuous line of canal from the Eel river feeder dam to the Wabash river at Terre Haute, and being an unfinished portion of the Works contemplated by the aforesaid, do, by virtue of the authority vested in me by said act, make known to all to whom these shall come, that the association aforesaid which has assumed the name of the "Wabash and Eel river Canal Company," is duly organized, and entitled to all the rights, privileges, franchises and immunities intended to be conferred by the act aforesaid.

> In testimony where of, I have hereunto set my hand, and caused to be affixed the seal of the state, at Indianapolis, this fourteenth day of October, A. D. one thousand eight hundred and forty-three, the twenty-eighth year of the State, and of the Independence of the United States, the sixty-eighth

By the Governor, SAM. BIGGER
WM. SHEETS, Secretary of State

Bigger: Thanksgiving Day Proclamation[1]

[November 7, 1843]

Whereas, another year is drawing to a close, and bringing us toward that time which this Christian nation has always set apart for purposes of public thanksgiving for the bounties of the year; and whereas, it becomes us, who have been signally favored, to observe this wise and decorous custom:—Therefore, I, Samuel Bigger, Governor of the State of Indiana—do appoint Thursday the 30th of November, as a day of public thanksgiving and praise to Almighty God; and I hereby invite the citizens of this State, upon that day to lay aside their secular labors and to assemble in their appropriate places of worship, to render thanksgiving to God for all the mercies which have crowned the year: for seed time and harvest, and the blessing which has rested upon both; for national union and quiet; for preservation from distressing wars at home and abroad; for the maintenance of our Constitution and laws, in the affectionate obedience of the people; for our increasing thrift in the useful arts; for the revival of industry and the restoration of hope after a time of public depression; for domestic tranquility—unbroken by civil feuds—and to an unusual degree unvisited by disease or death; together with these let mention be made of the advancement of temperance, of morality, of education, and of pure religion. And while we render gratitude for public benefits, each of us, in our individual experience or in the mercies which have enriched our homes, may find added reasons for thanksgiving to Almighty God—who has filled the year with abounding goodness.

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[1] Indianapolis *Indiana Journal,* November 15, 1843.

[L. S.] Done at Indianapolis, this 7th day of November, in the year of our Lord, eighteen hundred and forty-three.

SAM'L BIGGER

By the Governor
WM. SHEETS, Secretary of State

Bigger: Message to the General Assembly[1]

[December 5, 1843]

GENTLEMEN OF THE SENATE AND HOUSE OF REPRESENTATIVES:

Convened under the Constitution as the Representatives of the people, it becomes us on proceeding to the discharge of our public duties, to remember the Supreme Ruler of the Universe, for the blessings which have crowned the year now drawing to a close. We have peace with all the world. Commotions and feuds have not been permitted to disturb the harmony of the Union. Bountiful crops have rewarded the labors of the husbandman. An unusual degree of health has prevailed in almost every part of the State. Although the last few years have been attended with a depression which caused all our interest to droop and languish, the indications that industry will again receive its appropriate reward, are calculated to inspire hope and confidence.

Since the last meeting of the legislature, nothing has transpired which has produced any material alteration in our affairs, or which calls for any special legislative interference, beyond the ordinary duties which annually require consideration; although some of the matters that will claim your attention, involve considerable difficulty.

The current expenses of the Government for the fiscal year ending on the 31st of last October, were $90,897 00 as shown by the report of the Treasurer of State, which is herewith laid before the legislature.[2]

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[1] *Senate Journal,* 1843-44, pp. 13-21.

The Auditor in his report, herewith submitted, estimates the sum necessary for the current fiscal year at $100,000 00.[3]

The revenue of the present year, levied and collected by law, will amount to about $240,000 00. Nearly all of this sum will be paid in Treasury Notes. It is not my wish or intention to interfere with the course of policy, which it may be found expedient to adopt, after my connection with the government of the State shall be dissolved; but I trust I shall not be regarded as travelling beyond the appropriate sphere of my duties, in reiterating the recommendation contained in my last annual message against the re-issue of Treasury Notes, if it can possibly be avoided. They form a very considerable portion of the circulating medium in many parts of the State, passing at a value below par; and a re-issue would inevitably produce their farther depreciation, thereby inflicting an additional loss upon the people which they could illy endure. Throwing these Notes again into circulation, is to require the people to again redeem them, and it is respectfully submitted, whether it would not be the better course to resort to such temporary loans as might be found expedient and practicable.[4]

The State Agent has not been able to submit the report of his operations; but I am authorized by him to say that the situation of the suspended debt on account of bonds sold by the State remains nearly as stated in his report of last year.[5] Much of this debt is hopeless; and even as it respects that portion of it which may be regarded as capable of collection, but little can be realized from it at present. The Agent states that he has succeeded in obtaining $30,000, which, under a law of last session he is required to pay to certain contractors on the public works, whose claims against the State remain unsatisfied.

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[2] In *Documentary Journal,* 1843-44, House Doc. No. 3.

[3] In *ibid.,* House Doc. No. 4.

[4] By the revenue act approved January 15, 1844, a tax was levied of twenty cents on each $100 of taxable property and a fifty-cent poll tax. Fifteen of the twenty cents levied was to go for the redemption of treasury notes. *Laws of Indiana,* 1843-44 (general), p. 50. However, an act was also passed authorizing a loan to the state from the State Bank, not exceeding $75,000, to be secured by hypothecated treasury notes of former issues. *Ibid.,* 45.

[5] The report of the Agent of State is in the *Documentary Journal,* 1843-44, Senate Doc. No. 1.

In my annual message to the legislature in December, 1841, I gave a detailed statement of the extent and condition of the public debt. Its amount was then stated to be $15,088,000. Since then, no part of the interest upon this sum has been paid, except upon that portion of it borrowed for the establishment of the State Bank. In the meantime, however, a portion of this debt has been liquidated. The stockholders of the Lawrenceburgh and Indianapolis Railroad Company have returned bonds in lieu of the bonds issued by the State to the Company—the State Agent has taken up some of the outstanding bonds in the adjustment of portions of the suspended debt—a part of the Treasury Notes in circulation, have been redeemed in the collection of the revenue—so that the State debt remains not far different from what it was in 1841.

During the present year I have received two communications from foreign holders of our bonds; one from the city of London—the other from Geneva, which are herewith laid before the General Assembly.

In my previous messages I strongly pressed upon the legislature the condition of the public debt, and the adoption of such measures as might, as far as our circumstances would permit, enable us to do what is just and right with regard to it. It will require no exertion to fold our arms, and say that our liabilities are beyond our means, and therefore we will not even make an effort to pay. There may be some amongst us, who would be well satisfied, if those entrusted with public affairs would avoid all allusion to this subject. I cannot believe that Indiana will openly repudiate her debts; but the same result can be as readily brought about by doing nothing, and will as certainly, though not as speedily, secure for us all the reproach and disgrace consequent upon the direct act. I know we cannot now pay the interest on our public debt. All I urge is that we should acknowledge the obligations resting upon us, and shape our measures so as to apply all the available means, which industry, economy, and careful management may hereafter furnish us, to the discharge of those obligations. So far as our prosperity is identified with the confidence reposed in our citizens—so far as our public men may promote our interests in the councils of the nation and otherwise, it is essential that the character of the State should be preserved; for if it be destroyed, we will find that confidence will be withheld, that all our influence will be lost.

A company has been recently organized under the act of 1842, providing for letting the public works to companies, with a view to the completion of the Cross-Cut Canal terminating at Terre-Haute, under very favorable circumstances.[6] I am not able to speak with accuracy of the operations of the White-Water Valley Canal, and the Madison and Indianapolis Railroad companies. It is understood, however, that the respective works have been prosecuted with a zeal and determination which promise fair for their completion.

The continuation of the Wabash and Erie Canal under the supervision of James Blair, Esq., the present commissioner, has been prosecuted with as much rapidity as the means appropriated to the work would permit; and it is now pretty certain that it will be finished to Terre-Haute fully as soon as was at first anticipated. The report of the commissioner is herewith laid before the Legislature, and exhibits the extent of his operations and expenditures.[7]

The State of Indiana was authorized by an act of Congress to select lands equal to the quantity covered by Indian reservations on the lands selected on account of the Wabash and Erie canal east of Tippecanoe river. This duty was performed during the past summer by Messrs. Sigler and Murray, who were appointed for that purpose. It was found that of the lands selected for the canal west of Tippecanoe, a considerably quantity was taken from the State by preemption claims. It was also signified to the Executive that the original selections for the Wabash and Erie canal were made on the assumption that the canal followed a straight line; whereas by taking the actual length of the canal as located, for the basis of the selections, the State would be entitled to an additional quantity of land. The above named agents in obedience to instructions, selected lands in lieu of those covered by preemption rights, and at the same time additional lands to supply the deficiency arising from the alleged error in taking a direct line as the foundation of the previous selections. This latter claim has been submitted to the action of the appropriate department at Washington City, and will probably be determined during the present winter.[8]

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[6] See above, 627-29.

[7] In *Documentary Journal,* 1843-44, House Doc. No. 16.

It may be proper to mention, that by the act of 1842, authorizing the continuation of the public works by companies, provision was made for disposing of all or any part of said works to individuals or companies, for the bonds which had been issued by the State. It was also required that publication of the object of said act should be made for thirty days in the Journal of Commerce, published in the city of New York, which requisition was immediately complied with by the Executive. The hope was entertained by some, that as the bonds were greatly depreciated, and the State had agreed to receive them at their face, that no inconsiderable portion of the public debt would in this way be liquidated. But there have been as yet no propositions submitted for the return of our bonds in this mode, and we cannot reasonably expect any relief from this provision of the above named act.

The State Bank of Indiana still maintains her credit, and with the improvement of the times will be able to resume her usefulness. The question no longer admits of a doubt that this institution, under the same prudent management which has sustained it thus far, will survive the difficulties and embarrassments which have involved so many similar institutions in ruin.

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[8] Governor Bigger transmitted to the Commissioner of the General Land Office on December 1 the list of canal lands west of the Tippecanoe River selected in lieu of pre-emption claims and expected to send a few days later the list of lands selected in lieu of Indian reservations. The Commissioner replied to Governor Whitcomb on January 24, 1844, to the effect that the General Land Office could not allow the extra land requested due to the fact that the canal did not follow a straight line; a special act of Congress would be needed to grant Indiana's request. *House Executive Documents,* 28 Congress, 1 session, Doc. No. 91, p. 4. Congress granted the request by act of May 9, 1848. U. S. *Statutes at Large,* 9 (1846-51), 219-20.

The following table exhibits the general condition of the affairs of the bank, as shown on the 31st of last October.

Means	
Discounted notes and Bills of Exchange	$2,640,695 25
Balances due from, and notes of other Banks	427,437 74
Balances between, and notes of other Branches	159,516 48
Specie	969,306 84
Other sources	925,196 11
	$5,122,142 42

Liabilities	
Notes in circulation	$2,115,225 50
Notes in other Branches	120,540 00
Individual deposites	200,248 93
Balances due other Banks	38,632 83
Balances between Branches	43,248 44
School fund tax	14,228 64
Suspended interest and other items	29,367 50
	$2,561,501 84
Remainder, being am't of State and individual stock, and profits thereon	2,560,640 58
	$5,122,142 42

By this exhibit the following changes have taken place in the amounts of her circulation and specie, since the statement presented in my last annual message:

Nett circulation on October 31, 1843	$2,115,225 00	
Nett circulation on October 31, 1842	1,732,518 00	
Increase of circulation in the last twelve months		$ 382,707 00

Specie on October 31, 1843	$ 969,306 84	
Specie on October 31, 1842	799,047 96	
Increase of specie in the last twelve months		$ 170,258 88
The exhibit of means as above, are	$5,122,142 42	
All her liabilities, other than to the stockholders, are	2,561,501 82	
The remaining stock of the State, is	$ 880,000 00	
Saline and Bank tax stock	5,716 27	
Individual and county stock	1,252,455 98	
		$2,138,172 25
Leaving an excess of profits, for meeting losses, and for dividends		$ 423,329 58[9]

The new State prison, commenced in 1841, is progressing rapidly towards completion; and if the policy of the last two years should be continued the cause for reproach so long and justly resting on this part of our criminal jurisprudence will be removed. The report of the visiter of the State prison, now laid before you, shows the condition of the present prison, and the number and management of the prisoners, and is satisfactory as to the government of that institution, taking into consideration the obstacles in the way of enforcing the proper discipline.[10]

At the last session of the legislature an act was passed directing the Governor to collect information respecting a lunatic asylum, and to lay the same before the legislature at its present session.

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[9] The annual report of the president of the State Bank is in the *Documentary Journal,* 1843-44, House Doc. No. 5.

[10] Reports of the visitor and superintendents of the State Prison are in the *Documentary Journal,* 1843-44, House Doc. No. 6. A financial statement covering the old State Prison and the new State Prison is given in the auditor's report, in *ibid.,* House Doc. No. 4, p. 59. The report of the superintendent in charge of the construction of the new prison is given in *ibid.,* House Doc. No. 9.

This duty has been attended to, and the documents and information which have been collected are in the possession of I. P. Smith, Esq., who is preparing plans and specifications in relation to an asylum which will be ready to be laid before the legislature in the course of a few days.[11]

In my last annual message I made an earnest appeal to the legislature on the subject of common schools, and more particularly in relation to the condition of the funds set apart for the purposes of education.[12] Although the facts drawn out by an irregular investigation were imperfect as to the details, still enough was elicited to satisfy every one that our school funds were not producing the fruits which we had a right to expect, but were in danger in many cases of being irretrievably lost. Efforts were then made by appropriate enactments to secure a strict accountability on the part of the officers entrusted with those funds; and there can be little doubt, that if those enactments should be faithfully adhered to, and carried out, that the various education funds will be rendered much more secure and productive, and the facilities of ascertaining information respecting them will be such that the legislature can, at any time, be fully advised of their amount, condition, and productiveness, and be prepared at all times to legislate on the subject of education. It may be that the strict provisions, which have been recently adopted, by their tendency to develope defalcations, have excited opposition on the part of those who are not prepared to encounter a rigid investigation; still it is confidently trusted that the legislature will never lose sight of the importance of strictly guarding this sacred fund, and providing suitably for its application to the objects for which it is intended.

The cause of education in the higher institutions of learning, from the information I have been able to acquire, has at no time in this State, appeared to be more flourishing than at the present. It is a source of much gratification to witness their success and prosperity; for those trained in these schools are to exercise a most important influence on the destinies of our State.

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[11] Smith's report was referred to the committee on education of the Senate. The committee report recommended the revenue bill be amended so as to raise a tax of one cent on every $100 worth of taxable property for the erection of a lunatic asylum. *Senate Journal,* 1843-44, pp. 345, 449-51, 565. The Assembly complied with the recommendation. *Laws of Indiana,* 1843-44 (general), p. 50.

[12] See above, 497-502.

The propriety of making some provision for the education of the deaf and dumb has been frequently urged on the consideration of preceding legislatures. At the last session an act was passed authorizing the collection of a tax of two mills on the hundred dollars of taxable property to be applied to this object. During the present year Mr. and Mrs. Willard, themselves mutes, and recommended as highly competent teachers, have opened an institution in Indianapolis for the instruction of the deaf and dumb. They have now thirteen pupils under their care. They have had a number of applications on behalf of others, whose parents are unable to support them at the institution. Mr. and Mrs. Willard are at present teaching without any compensation, for the purpose of showing what may be accomplished in the instruction of those who are denied hearing and speech. Frequent opportunities will be presented to the members of the legislature of witnessing the course adopted and the progress made in the instruction of these pupils; and it is presumed that these exhibitions will plead more eloquently for the unfortunate mute than any thing which I can urge upon your attention. I cannot, however, let this occasion pass without asking on their behalf that the legislature will make suitable provision for this institution, and for affording the means of instruction to all who may be presented, whether they may or may not be able to pay for that instruction.[13]

It is well known that there has been no general organization of the militia of this State for a number of years. This has been brought about, not so much by any defect in the laws as by a general abandonment by common consent of the entire military system. The last returns possessed by the Adjutant General were made in the year 1832. Upon these returns we have been ever since drawing our share of the public arms, although the increase of the militia of this State would no doubt entitle us to nearly double the amount which is received under the present arrangement. To remedy this difficulty, the Adjutant General by an act, approved ...., 1843, was required to forward to the proper department at Washington, the number of taxable polls in the year 1842, as evidence of the effective Militia of Indiana.[14] The Adjutant General has performed this duty, and has received a reply, stating that the list furnished is not such a return as will justify the distribution of a greater quantity of arms than has been made since the returns of 1832. It is well worth the attention of the legislature to adopt measures which will prevent the State from being deprived of her just share of the public arms distributed by the General Government to the several States.[15]

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[13] An act to establish an asylum for the education of the deaf and dumb was passed by which a board of trustees was incorporated whose duty it would be to procure a house in Indianapolis for the institution and provide room and board for the pupils, employ teachers, and secure necessary books. Expenses incurred by the act were to be paid out of the state treasury. The law of the previous session of the Assembly levying two mills on each $100 of taxable property for instruction of the deaf and dumb was continued. *Laws of Indiana,* 1843-44 (general), pp. 36-38, 120.

The Revised Statutes enacted at the last session of the General Assembly, will soon be ready for delivery. It was expected that the printing would have been completed before this time; but a considerable amount of public printing had to be done before the Statutes could be commenced, and it was soon discovered that if they were carried through the press with the rapidity which would ensure their delivery at an early day, innumerable mistakes and errors would occur, which would greatly detract from the value of the work. Hence it was concluded that the increased accuracy which would be secured by the delay of a few weeks would more than counterbalance any inconvenience which might be experienced in consequence of such delay.[16]

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[14] Joint resolution of February 13, 1843. *Laws of Indiana,* 1842-43 (local), p. 191.

[15] Acts relative to the militia were passed, amending the 1831 and 1840 acts and revising and amending laws authorizing the formation of companies of independent militia by voluntary enlistment. *Laws of Indiana,* 1843-44 (general), pp. 17-26, 122.

[16] The Assembly appointed a commission of the three Supreme Court judges, or if they failed to act, a commission consisting of Oliver H.

The last five years constitute an eventful period in the history of our State. The trade and business of the whole country have been interrupted, credit has been destroyed, and a great number of the most active and enterprising of our citizens have sunk beneath the pressure of the times. The system of state improvements, from which so much was anticipated, has failed, involving the State in a debt beyond her immediate resources. At present, however, we have assurances of reviving hope and confidence, which indicate clearly that the worst is past. There is an evident upward tendency in prices, and a briskness of demand for our surplus productions, from which we may augur the return of a prosperous business. In looking, however, to the future, we must not forget the past. Excesses have been committed. Efforts to grow rich by new and untried schemes and projects were too common, and have been followed by the inevitable consequences of wild and reckless speculation. All that we value—all that tends to our prosperity and enjoyment, is the creation of industry. Nature may be lavish of her bounties—we may have a fruitful soil and genial seasons, yet they are of no benefit to us, unless they have been compelled to contribute to our comfort and happiness by the expenditure of labor. The wealth of a country is increased in proportion to its industry and economy. Capital may be enlarged, nominally, without adding to our real wealth; or may be employed in pursuits which promise much, and which may occasionally add to the fortunes of single individuals, but not resting on the basis of productive employment, invariably yield in the end a distressful harvest of ruined hopes and prospects to the great body of the community.

And first among those pursuits on which the citizens of our

Smith, James Morrison, and Michael G. Bright, to determine a just compensation for Bigger and George H. Dunn for their work on the revision and instructing the auditor to issue warrants on the treasurer for the amounts. *Laws of Indiana,* 1843-44 (local), p. 180. The state treasurer paid out $1,300 to Bigger and $1,000 to Dunn on January 31, 1844; the reason for the payments was not specified, but it seems probable they were for work on the revision. Bigger had already received his salary as governor. Journal of the State Treasurer, 1838-50, p. 392, in Archives Division, Indiana State Library.

State are to rely for substantial wealth, we must reckon the cultivation of the soil. Steady markets, uniform prices, and a sound currency are essential, however, at all times to agricultural prosperity. To obtain these we must mainly depend upon our own government. If we would have valuable markets, we must create them; if we would secure prices which will return a fair profit, and protect us from the evils of a fluctuating trade and commerce, we must have a steady demand, the limits of which can at all times be estimated. We must give protection to our own industry. By protection, I mean the adoption of that policy which will encourage and sustain those branches of business by which our productions will be consumed, furnishing a suitable return to the producer. Have we a foreign market for our surplus on which we can at all times rely? The restrictions of foreign nations are intended to bear heavily on many of our most valuable agricultural products. The question of protection is sometimes stated as if it were in the nature of a privilege to one class at the expense of another. It does not follow that this is the case because our farm productions cannot be affected in the home market by foreign competition. If the direct protection of other interests results in the establishment of a home market, it is as directly beneficial to the agriculturist as if it sprang from legislative provisions directed solely to his interests. Exclusive advantages not benefiting others are not to be tolerated; but we must not forget to distinguish that protection which necessarily includes partial evils as the effect of a compromise to secure a greater average amount of good, from those enactments which do not secure any such desirable results and do not exclude still greater evils. Our true policy, in view of the restrictions of other nations, is to render ourselves independent of the pauper labor and workshops of Europe.

There is another matter intimately connected with our prosperity. I allude to the currency. A purely hard currency, as a political question, may be made instrumental in propitiating prejudices which exist to some extent in every community; but when we look at the diversified relations of the whole country—the distant points which are connected in trade and commerce—and the inconvenience and certain loss to which we are subjected by an unequal currency, or a currency almost as difficult of transmission considering all risks as our own articles of trade, the necessity of a circulating medium, by which we shall be enabled to secure exchanges at fair and reasonable rates, in connection with a currency which shall be at par in all parts of the Union, and readily convertible into gold and silver, is obvious. The business of this country never was more healthy, credit never more sound than when our main reliance was on such a currency, and we must believe that a return to it will produce similar results.

To day closes my connection with the government of the State of Indiana. The situation which I have occupied has been one not only of responsibility, but of difficulty. It has been my endeavor to perform the various duties which devolved upon me in such a manner as to redound to the benefit of the State. In my recommendations to the legislature, I have zealously urged the promotion of the great interests of education—the cherishing of those institutions which are regarded as essential to civilized life—the just relief of the people so far as it could be secured by proper legislation—a careful and frugal economy—a strict accountability of all public officers, with a view to avoid all wasteful expenditure of the public moneys—and a rigid investigation of the accounts and proceedings of those connected with our public works; and again and again have I urged the absolute necessity of refraining from all measures which might tarnish the reputation of our State in reference to our public debt—I have endeavored in all my duties to avoid the prostitution of my office to mere partisan purposes; for I care not what a man's capacity or qualifications, for the office which he holds may be, he can never be in the legitimate exercise of his duties when he forgets that such office is held for the benefit of the people, not to aid a mere party—and when the latter course is taken the public interests are sure to suffer. I may have erred; such is the lot of human nature. Instances may have occurred in which I have been subjected to censure. As to these, I have only to say that acting from the lights before me, I supposed I was doing right. I could not always see what others were able to discover after the act was performed, and by which they were enabled to form a different, and in all probability, a more correct opinion, and thus censure has been bestowed on me for not discerning what was, at the time, beyond the reach of my vision. I retire to a private station in society without personal regret at the decision which places me there; carrying with me the consciousness of having endeavored to do my duty. I shall always feel a deep interest in the welfare and prosperity of the State of Indiana, and no one will more regret than myself anything which may fasten a lasting stain upon her character. That your deliberations may be characterized by wisdom and moderation, and promote the common welfare, add to the happiness of the people, secure their prosperity, and tend to the perpetuation of our beloved institutions, is my sincere prayer, at the close of my official duties.

SAMUEL BIGGER

EXECUTIVE CHAMBER,
December 5th, 1843

Bigger to the Speaker of the House of Representatives[1]

EXECUTIVE DEPARTMENT,
December 5, 1843.

HON. A. L. ROBINSON, Speaker of the House of Representatives:

I have the honor to acknowledge the receipt of the following resolution of the House of this date:

"*Resolved,* That His Excellency the Governor, be requested to inform the House, if the message in the Daily Sentinel of this morning be genuine, and if so, if he authorized the publication of the same prior to its formal delivery to both Houses by him."

It has been the practice during my administration, and I understand that the same course has been practised before, to furnish the printers of the several newspapers at Indianapolis, with copies of the Governor's message, so that it may be ready for distribution in the newspapers immediately after its delivery to the Legislature. Last year there were some complaints because it was said, that good faith, on this particular, had not been kept. I determined that the copies should not be delivered as soon as formerly to prevent a repetition of the cause of complaint. I was informed at different times during the last four or five days by the public printers, that applications had been made from the Sentinel office for a copy of the message, and that the matter was referred to my decision. I told the printers not to give out any copy without my direction. I was also informed that the applying editor of the Sentinel was strong in his declarations that the establishment would under no circumstances permit a copy to be distributed from the office until the message was delivered to the Legislature. The abuse heretofore complained of, consisted in sending off copies of the Message by the mail on the evening previous to the time of its delivery to the Legislature. About 4 o'clock of yesterday evening, as I supposed there could be no danger of sending off the message before its delivery, I directed copies to be furnished to the Journal and Sentinel offices, never for a moment anticipating that my confidence would be so far abused as to publish the message in this place before I had delivered it to the Legislature. I have never had a word of conference with the Editors of the Sentinel on this subject. It is, and has been here well understood that it is a matter of favor to get a copy of the message before its delivery, to be repaid by strictly watching against a copy getting into circulation before the proper time.

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[1] *House Journal,* 1843-44, pp. 23-24.

Mr. Chamberlain of the firm of Cutler and Chamberlain, who are employed in doing the public printing, I understand, delivered the copy on Monday evening to one of the Mr. Chapmans. He says he did not exact any pledge on the subject, because he supposed it was so well understood that no copy was to be given out, and moreover such strong protestations of keeping it back had been made by the members of the establishment who had applied for it, that he would as soon have thought of exacting a pledge that they should not commit the crime of murder. Indeed my own view of the matter is, that to have exacted a specific pledge, taking into consideration the well understood rule in all cases, and the previous declarations of one, and perhaps both the members of the establishment, must have been regarded as an insult.

I regret exceedingly the occurrence which elicited the resolution to which the reply has been given. I am just retiring from office. I have endeavored in my official intercourse with those opposed to me in politics to avoid anything which would give rise to personal difficulties. In giving out copies of my message for publication, I was doing what I always understood to be the custom in such cases, and that it was a matter of honor and good faith on the part of the publishers, not to suffer a single copy to issue, until the message was delivered. I know of no reason why I should have received such treatment on this occasion—why a matter of favor on my part should have been turned into an occasion to do me an injury, nor shall I enquire into the reasons of it. I assure the House of Representatives, that this premature publication of my message was made without my knowledge or consent, and had I supposed it could have occurred, I should have prevented it.

I have the honor to be, most respectfully, your obedient servant,

SAMUEL BIGGER[2]

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[2] When this letter was read in the House it was moved that George A. and J. P. Chapman, editors of the *Sentinel,* a Democratic paper, be requested to communicate to the House their reasons for publishing and putting into circulation the Governor's message before it was formally delivered to the legislature. *House Journal,* 1843-44, pp. 24-26. On December 8 the Chapmans complied and their reply is printed in the *House Journal,* pp. 52-56. They state that they had requested from Cutler and Chamberlain a copy of the message but had been refused. A request for a copy had also been made through John Dowling, a Whig, of the firm of Dowling and Cole, state printers, but they had not received it. On the evening before Bigger delivered his message, Chamberlain had delivered a copy of the message to the *Sentinel* office "voluntarily and unconditionally," and said that a copy also had been delivered to the *Journal* office. Believing that the message would appear the next morning in the *Journal,* the *Sentinel* had felt no reason for holding it up and had run it in the issue of the morning before its delivery in the afternoon. The communication went on to point out that in 1842 Dowling's paper, the Terre Haute *Wabash Express,* obviously had had a copy of the message several days before delivery.

The whole matter was political since the election of a state printer was before the Assembly. Delana R. Eckles, a Democrat from Owen County, was elected over Jacob P. Chapman, 77 to 69. He resigned before the close of the session, and Chapman was elected over Jesse C. Douglass, 74 to 70. Douglass was editor of the Logansport *Herald* and also a Democrat. *Ibid.,* 302, 378, 393.

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